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## Application Proof of

# AUGROUP TECHNOLOGY CO., LTD.

## 傲基科技股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

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# AUGROUP TECHNOLOGY CO., LTD.

## 傲基科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the  
[REDACTED] [REDACTED])  
Number of [REDACTED] : [REDACTED] H Shares (subject to  
[REDACTED])  
Number of [REDACTED] : [REDACTED] H Shares (subject to the  
[REDACTED] and [REDACTED])  
[REDACTED] : Not more than HK\$[REDACTED] per H  
Share, plus brokerage of 1.0%, SFC  
transaction levy of 0.0027%, AFRC  
transaction levy of 0.00015%, and  
Hong Kong Stock Exchange trading  
fee of 0.00565% (payable in full on  
application in Hong Kong dollars and  
subject to refund)  
Nominal value : RMB[1.00] per H Share  
[REDACTED] : [REDACTED]

[Sole Sponsor, [REDACTED], [REDACTED],  
[REDACTED] and [REDACTED]]



**华泰国际**  
HUATAI INTERNATIONAL

[[REDACTED] and [REDACTED]]  
[LOGO]

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The [REDACTED], on behalf of the [REDACTED], may, with the consent of our Company, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.aukeys.com> as soon as practicable but in any event not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set out in the sections headed "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an investment decision, [REDACTED] should carefully consider all of the information set out in this document, in particular, the risk factors set out in the section headed "Risk Factors." Pursuant to the termination provisions contained in the [REDACTED] in respect of the [REDACTED], the [REDACTED], on behalf of the [REDACTED], have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in the section headed "[REDACTED]."

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[REDACTED]

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**IMPORTANT**

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**[REDACTED]**

**IMPORTANT**

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[REDACTED]

## EXPECTED TIMETABLE

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[REDACTED]

## EXPECTED TIMETABLE

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[REDACTED]

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## EXPECTED TIMETABLE

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[REDACTED]

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### IMPORTANT NOTICE TO INVESTORS

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## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully in full before you decide to invest in the [REDACTED].*

### WHO WE ARE

#### Our Position

A world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings with export logistics solutions.

#### Our Mission

Connect the world for a better life.

#### Our Vision

Let the world fall in love with our offerings.

#### Who We Are

We are a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings. We offer consumers an enjoyable lifestyle experience across a broad range of “home and life” scenarios leveraging robust supply chain management and efficient logistics solutions.



#### Notes:

- (1) According to Frost & Sullivan
- (2) In 2023
- (3) As of December 31, 2023

## SUMMARY

During the Track Record Period, we generated revenue primarily from sales of goods and provision of logistics solutions.

### *Brand and Product Portfolio*



We specialize in furniture and home furnishings under popular brands such as ALLEWIE, IRONCK, LIKIMIO, SHA CERLIN, HOSTACK and FOTOSOK. In 2023, 11 of our brands each had over RMB100 million and we ranked first in six categories in terms of GMV on the Amazon U.S. Site, including bed frames, food cabinets, vanity tables and vanity benches, bookcases, buffet tables and sideboards as well as refrigerators according to Frost & Sullivan. Our product portfolio also includes electric tools, home appliances, consumer electronics and sports and wellness products. We had a market share of over 10% in ten categories, namely bed frames, beds, refrigerators, dressers and chests of drawers, food cabinets, bookcases, vanity tables & vanity benches, buffet tables and sideboards, power screwdrivers and pressure washer hose reels, on the Amazon U.S. site, in terms of GMV in 2023, according to the same source. We primarily provide products to consumers via Amazon.com (“**Amazon**”), Walmart.com (“**Walmart**”) and Wayfair.com (“**Wayfair**”) in overseas markets, including the U.S. and Europe. These markets are well known for strong consumer purchasing power and high e-commerce penetration. Benefiting from diverse offerings, brand equity and strategic market positioning, we have continuously enhanced our competitiveness.

### *Supply Chain Management and Product Development Capabilities*

Our supply chain capabilities help us rapidly develop diverse products while maintaining product quality. As of December 31, 2023, we worked with 810 manufacturing partners. Such collaborations allow us to efficiently respond to the evolving market demand and offer diverse products across industries. Our digitalized supply chain management systems facilitate stringent quality control. As a result, we had an average return rate below 3.5% across all third-party e-commerce platforms in 2023, ranking among the industry’s lowest range, according to Frost & Sullivan.

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## SUMMARY

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We are committed to addressing customer needs with continual product development efforts. As of the Latest Practicable Date, we held 630 patents, 180 patent applications and 171 software copyrights, with 68 international design awards received. Our industrial design innovation lab has been accredited as the National Industrial Design Center by MIIT since 2021 and the Guangdong Provincial Engineering Technology Research Center since 2020 in China.

Robust supply chain management and product development capabilities are integral to our cost management. We are committed to innovation in our product design and development. We explore utilizing novel materials that are compatible with different types of furniture and optimize furniture structure to reduce package volume and weight, thereby reducing the procurement and logistics costs to sustain competitive pricing.

### *Logistics Solutions Focusing on Medium-to-Large Goods*

In addition to providing logistics for our own e-commerce business, through Shenzhen Westernpost, a subsidiary of our Company, we provide efficient one-stop logistics solutions to customers who are primarily e-commerce sellers. Our solutions include domestic consolidation, first-mile international freight services, overseas transit, overseas warehousing and order dispatch. During the Track Record Period, we provided logistics solutions to an aggregate of over 700 e-commerce companies, fulfilling over three million, four million and six million orders, respectively, in 2021, 2022 and 2023. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan.

Combining our industry insights and Shenzhen Westernpost’s experience in logistics solutions, we have established a global multi-tier warehousing and logistics network and developed proprietary logistics solution management systems. As of December 31, 2023, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany). Our proprietary logistics solution management systems include a smart restock and segregation system, a warehouse management system (“WMS”), a transportation management system (“TMS”) and an order management system (“OMS”), managing and optimizing all key stages of the logistics chain.

Leveraging an integrated supply chain, digitalized management system and extensive and sophisticated warehousing network, we have tackled the pain points of high costs and long delivery times associated with logistics solutions for medium-to-large goods. As a result, we are able to provide a cost-effective logistics solutions for medium-to-large goods at a price 30% lower than that of Fulfillment by Amazon (“FBA”). In 2023, over 95% of orders fulfilled by Shenzhen Westernpost for medium-to-large goods such as furniture were delivered to last-mile fulfillment service providers within 24 hours after placement of orders, representing an industry-leading logistics efficiency according to Frost & Sullivan.

### *Proven Business Capabilities and Strong Resilience*

Founded in 2010, we rapidly emerged as a leading market participant in China’s B2C overseas e-commerce market with popular brands, according to Frost & Sullivan. We were primarily engaged in sales via third-party e-commerce platforms, including Amazon. In 2021, our business was negatively impacted by Amazon’s investigation into the past usage of Unofficially Promoted Ratings or Reviews by certain employees of our Group. As a result, our revenue decreased by 21.7% from RMB9,071.2 million in 2021 to RMB7,100.2 million in 2022. In 2021, we had a net loss of RMB589.9 million. After finding out about some of our employees’ involvement in Unofficially Promoted Ratings or Reviews, we promptly demanded the cessation of such practices, conducted inspections of our online stores and implemented enhanced internal control measures. See “Business — Marketing and Promotion — The Amazon Incident.”

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## SUMMARY

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To alleviate the impact of the Amazon Incident, we optimized our online store network and refined the brand strategy for better management and resource allocation, enhancing operational efficiency. Specifically, we have focused on furniture and home furnishings and devoted substantial time and resources to cultivating a diverse brand and product portfolio. We have also built our presence on other leading e-commerce platforms such as Walmart and Wayfair. This approach has resulted in a rapid recovery in overall financial performance. Our revenue increased by 22.3% from RMB7,100.2 million in 2022 to RMB8,683.0 million in 2023. We had net profit of RMB223.2 million in 2022 and RMB520.1 million in 2023, signaling a robust rebound from the Amazon Incident.

Leveraging our established strengths in product development, supply chain management, efficient logistics systems and efficient operation, we aim to continuously optimize our brand and product portfolio to respond to consumer demand under refined operation and management and let the world fall in love with our offerings.

### OUR STRENGTHS

We believe that the following strengths contribute to our success:

- World-leading e-commerce brand operator specializing in furniture and home furnishings;
- Market-oriented product development and continuous innovation empowering diverse product offerings;
- Strong digitalized supply chain management underpinning efficient operation;
- Diverse, quality and competitive product offerings;
- Global warehousing and logistics capabilities tailored for medium-to-large goods;
- Visionary management team and efficient organizational structure fueling long-term development.

See “Business — Our Strengths.”

### OUR STRATEGIES

We have formulated the following strategies in line with our mission and vision:

- Solidify market leadership and enrich furniture and home furnishings offerings;
- Promote key brand strategy and expand online and offline sales channels;
- Optimize supply chain network and digitalized management to enhance standardized operation;
- Upgrade global warehousing and logistics network;
- Explore investment or acquisition opportunities to expand our business.

See “Business — Our Strategies.”

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## SUMMARY

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### CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers of sales of products primarily consisted of consumers who buy our products through third-party e-commerce platforms, and customers of our logistics solutions primarily consisted of sellers on e-commerce platforms. Revenue from our five largest customers in each year during the Track Record Period represented 3.2%, 5.4% and 8.3% of our total revenue for the respective years. Revenue from our largest customer in each year during the Track Record Period represented 1.3%, 2.1% and 3.0% of our total revenue for the respective years.

We choose our suppliers through a rigorous selection process to guarantee the quality of our products. Our suppliers are required to have all the necessary licenses and permits for their operations. We select suppliers based on factors such as service or product quality, production or delivery capacity, pricing, location, qualifications, reputation and delivery schedule. The majority of our suppliers are manufacturing partners who primarily provide OEM services, based in the PRC. In 2021, 2022 and 2023, we collaborated with 1,517, 865 and 810 manufacturing partners, respectively. Transaction amounts from our five largest suppliers in each year during the Track Record Period represented 20.7%, 30.9% and 27.7% of our total transaction amount for the respective years. Transaction amounts from our largest supplier in each year during the Track Record Period represented 7.5%, 13.6% and 14.8% of our total transaction amount for the respective years.

### COMPETITIVE LANDSCAPE

We primarily compete in the global B2C e-commerce market for furniture and home furnishings for sales of products. According to Frost & Sullivan, the global B2C e-commerce market for furniture and home furnishings has increased rapidly from USD145.6 billion in 2018 to USD325.8 billion in 2023 in terms of GMV, with a CAGR of 17.5%. According to Frost & Sullivan, the global B2C e-commerce market for furniture and home furnishings is highly fragmented and competitive. Market participants compete based on their capabilities of operation, supply chain management and product development.

We ranked fifth in the global B2C e-commerce market for furniture and home furnishings in terms of GMV in 2023, according to Frost & Sullivan. We ranked first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2023, according to the same source. Leveraging our established position, we believe we are well positioned to keep seizing the target market potential with strong brand building, high-quality product offerings at an affordable price, strong product design and development capabilities, robust supply chain systems and a comprehensive warehousing and logistics chain.

We also compete in the B2C export e-commerce logistics solutions market adopting the pre-sale stocking model for provision of logistics solutions. According to Frost & Sullivan, the market is expected to grow rapidly to reach RMB387.0 billion in 2028 in terms of revenue, with a CAGR of 13.7% from 2023 to 2028.

In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan. Leveraging our established position, we believe we are well positioned to keep seizing the target market potential with continuous innovation, strong supply chain management and efficient logistics solutions, especially those for medium-to-large goods.

## SUMMARY

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### RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- We generate the majority of our revenue from a small number of third-party e-commerce platforms. Disruptions of our relationships with third-party e-commerce platforms, changes in, or interpretation of, policies of such third-party e-commerce platforms or unfavorable changes in our arrangements with them, could have a material adverse effect on our business, financial condition and results of operations.
- We may not identify or respond in a timely manner to changes in consumer preferences and market demand, or fail to continuously design and develop new products to meet the evolving consumer demand, which may materially and adversely affect our business operations and financial performance.
- We rely on manufacturing partners to produce our products. If our manufacturing partners fail to produce products that are of consistent high quality, or if we encounter issues such as material shortage or delay in the supply, or if raw materials and labor costs fluctuate, or if we fail to renew agreements with our manufacturing partners on favorable terms, or at all, our business, financial condition and results of operations could be materially and adversely affected.
- If we fail to compete effectively and successfully, our business operations, financial performance and profitability may be materially and adversely affected.
- Any adverse changes in macroeconomic situations, such as fluctuations in interest rates, or economic downturn in the U.S. or Europe, as well as if we are not able to continue servicing the U.S. and Europe markets effectively, our business, financial condition and results of operations may be adversely affected.

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Description of Major Components of Our Results of Operations

The following table sets forth a summary of our consolidated statements of profit or loss in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
Revenue . . . . .	9,071,193	100	7,100,230	100	8,682,977	100.0
Cost of sales . . . . .	(7,176,094)	(79.1)	(4,621,181)	(65.1)	(5,689,287)	(65.5)
<b>Gross profit . . . . .</b>	<b>1,895,099</b>	<b>20.9</b>	<b>2,479,049</b>	<b>34.9</b>	<b>2,993,690</b>	<b>34.5</b>
Other income . . . . .	20,399	0.2	19,868	0.3	42,320	0.5
Other gains and losses . .	360,472	4.0	(21,697)	(0.3)	12,432	0.1
Impairment gains/(losses) under expected credit loss ("ECL") model, net of reversal . . . . .	(45,832)	(0.5)	(2,472)	(0.0)	(48,854)	(0.6)
Selling expenses . . . . .	(2,517,379)	(27.8)	(1,757,101)	(24.7)	(1,830,619)	(21.1)
Administrative expenses .	(204,920)	(2.3)	(249,294)	(3.5)	(287,645)	(3.3)
Research and development expenses .	(176,834)	(1.9)	(123,689)	(1.7)	(119,153)	(1.4)
Other expenses . . . . .	(23,408)	(0.3)	(32,982)	(0.5)	(26,004)	(0.3)
[REDACTED] . . . . .	-	0.0	-	0.0	[REDACTED]	[REDACTED]
Share of results of investments accounted for using the equity method . . . . .	(11,125)	(0.1)	(7,327)	(0.1)	4,875	0.1
Finance costs . . . . .	(30,931)	(0.3)	(72,353)	(1.0)	(90,722)	(1.0)
<b>(Loss)/profit before tax . . . . .</b>	<b>(734,459)</b>	<b>(8.1)</b>	<b>232,002</b>	<b>3.4</b>	<b>639,908</b>	<b>7.4</b>
Income tax credit/(expense) . . . . .	144,580	1.6	(8,833)	(0.1)	(119,807)	(1.4)
<b>(Loss)/profit for the year . . . . .</b>	<b>(589,879)</b>	<b>(6.5)</b>	<b>223,169</b>	<b>3.3</b>	<b>520,101</b>	<b>6.0</b>



## SUMMARY

### Non-IFRS Financial Measure

To supplement our consolidated financial statements presented in accordance with IFRS, we use adjusted gross profit (non-IFRS measure) and adjusted gross profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items. We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted gross profit (non-IFRS measure) and adjusted gross profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define adjusted gross profit (non-IFRS measure) as gross profit adjusted by adding back write-down of inventories primarily as a result of the Amazon Incident. See "Business — Marketing and Promotion — The Amazon Incident." We define adjusted gross profit margin (non-IFRS measure) as adjusted gross profit (non-IFRS measure) divided by revenue. The following table sets forth a reconciliation of our non-IFRS financial measures for the years indicated to the nearest measures prepared in accordance with IFRS which are gross profit and gross profit margin:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Gross profit</b> . . . . .	<b>1,895,099</b>	<b>2,479,049</b>	<b>2,993,690</b>
<b>Gross profit margin (%)</b> . . . . .	<b>20.9</b>	<b>34.9</b>	<b>34.5</b>
Add: Write-down of inventories <sup>(Note)</sup> . . .	984,385	11,744	17,855
<b>Adjusted gross profit (non-IFRS measure)</b> . . . . .	<b>2,879,484</b>	<b>2,490,793</b>	<b>3,011,545</b>
<b>Adjusted gross profit margin (non-IFRS measure) (%)</b> . . . . .	<b>31.7</b>	<b>35.1</b>	<b>34.7</b>

*Note:* Write-down of inventories was mainly a result of the Amazon Incident for which we had made provision for inventories and for which we do not expect to incur in the future.

## SUMMARY

### *Revenue*

During the Track Record Period, we generated revenue primarily from sales of goods and provision of logistics solutions. The following table sets forth a breakdown of our revenue by types of goods or services in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales of goods . . . . .	8,581,493	94.6	6,325,558	89.1	7,030,375	81.0
Logistics solutions . . . . .	489,700	5.4	774,672	10.9	1,652,602	19.0
<b>Total . . . . .</b>	<b><u>9,071,193</u></b>	<b><u>100.0</u></b>	<b><u>7,100,230</u></b>	<b><u>100.0</u></b>	<b><u>8,682,977</u></b>	<b><u>100.0</u></b>

### *Sales of Goods*

We offer products under a broad range of “home and life” scenarios. We primarily generate revenue from sales of products in (i) furniture and home furnishings, (ii) electric tools, (iii) home appliances, (iv) consumer electronics; (v) sports and wellness; and (vi) other categories. We mainly sell products to customers over third-party e-commerce platforms and other channels. Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

The following table sets forth our revenue from sales of products by type of products for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Sales of goods</i>	<i>RMB'000</i>	<i>% of Sales of goods</i>	<i>RMB'000</i>	<i>% of Sales of goods</i>
Furniture and home furnishings . . . . .	3,516,335	41.0	4,187,110	66.2	5,336,581	75.9
Electric tools . . . . .	1,462,895	17.0	628,913	9.9	347,182	4.9
Home appliances. . . . .	886,580	10.3	480,709	7.6	436,748	6.2
Consumer electronics . . . . .	1,067,281	12.4	356,100	5.6	292,265	4.2
Sports and wellness . . . . .	491,886	5.7	187,712	3.0	107,114	1.5
Other categories . . . . .	1,156,516	13.6	485,014	7.7	510,485	7.3
<b>Total . . . . .</b>	<b><u>8,581,493</u></b>	<b><u>100.0</u></b>	<b><u>6,325,558</u></b>	<b><u>100.0</u></b>	<b><u>7,030,375</u></b>	<b><u>100.0</u></b>

*Note:* Other categories primarily include car accessories, photography lighting equipment, outdoor equipment, decorations and musical instrument.

## SUMMARY

During the Track Record Period, our revenue from sales of goods was derived primarily from third-party e-commerce platforms, primarily including Amazon, Walmart and Wayfair. The following table sets forth a breakdown of our revenue from sales of goods by sales channel in absolute amounts and as a percentage of total revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
<b>Sales of goods through</b>						
<b>Third-party</b>						
<b>e-commerce</b>						
<b>platforms . . . . .</b>	<b>8,233,426</b>	<b>90.8</b>	<b>5,878,049</b>	<b>82.8</b>	<b>6,656,918</b>	<b>76.7</b>
Amazon . . . . .	7,611,485	83.9	4,526,473	63.8	4,670,579	53.8
Walmart . . . . .	276,409	3.0	676,279	9.5	851,260	9.8
Wayfair . . . . .	157,487	1.7	458,538	6.5	871,705	10.0
Others <sup>(1)</sup> . . . . .	188,045	2.2	216,759	3.0	263,374	3.1
<b>Other channels<sup>(2)</sup> . . . . .</b>	<b>348,067</b>	<b>3.8</b>	<b>447,509</b>	<b>6.3</b>	<b>373,457</b>	<b>4.3</b>
<b>Total sales of goods . . .</b>	<b>8,581,493</b>	<b>94.6</b>	<b>6,325,558</b>	<b>89.1</b>	<b>7,030,375</b>	<b>81.0</b>

*Notes:*

- (1) Others include other third-party e-commerce platforms, such as eBay.
- (2) Other channels primarily consist of offline channels and self-operated websites.

Our revenue from sales of goods decreased by 26.3% from RMB8,581.5 million in 2021 to RMB6,325.6 million in 2022, primarily a result of the Amazon Incident. Our revenue increased by 11.1% from RMB6,325.6 million in 2022 to RMB7,030.4 million in 2023, as a result of our continuous recovery from the Amazon Incident and our expansion in furniture and home furnishings. See “Business — Marketing and Promotion — The Amazon Incident.”

### *Logistics Solutions*

We generate revenue from the provision of logistics solutions to customers such as e-commerce companies and third-party e-commerce platforms. We recognize revenue based on the progress of the service performed within the year, which is determined based on the proportion of costs incurred to date to the estimated total costs or days spent to the estimated total days. Our revenue from logistics solutions increased by 58.2% from RMB489.7 million in 2021 to RMB774.7 million in 2022, primarily a result of our increased capacity to provide logistics solutions. Our revenue from logistics solutions increased significantly from RMB774.7 million in 2022 to RMB1,652.6 million in 2023, primarily because we expanded customer base and fulfilled more orders.

## SUMMARY

### *Gross Profit and Gross Profit Margin*

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit by type of goods or services in absolute amounts and as a percentage of revenue, or gross profit margins, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>Gross profit RMB'000</i>	<i>Gross profit margins (%)</i>	<i>Gross profit RMB'000</i>	<i>Gross profit margins (%)</i>	<i>Gross profit RMB'000</i>	<i>Gross profit margins (%)</i>
Sales of goods . . . . .	1,783,898	20.8	2,340,881	37.0	2,752,954	39.2
Logistics solutions . . . . .	111,201	22.7	138,168	17.8	240,736	14.6
<b>Total . . . . .</b>	<b><u>1,895,099</u></b>	<b><u>20.9</u></b>	<b><u>2,479,049</u></b>	<b><u>34.9</u></b>	<b><u>2,993,690</u></b>	<b><u>34.5</u></b>

### **Consolidated Statements of Financial Position**

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets . . . . .</b>	1,447,579	2,226,484	2,031,731
<b>Current assets . . . . .</b>	3,011,439	2,731,460	3,145,796
<b>Current liabilities . . . . .</b>	2,473,744	2,204,371	1,803,872
<b>Net current assets . . . . .</b>	537,695	527,089	1,341,924
<b>Non-current liabilities . . . . .</b>	466,425	972,055	1,100,888
<b>Net assets . . . . .</b>	1,518,849	1,781,518	2,272,767

Our net current assets increased from RMB527.1 million as of December 31, 2022 to RMB1,341.9 million as of December 31, 2023, primarily due to an increase in cash and cash equivalents and a decrease in convertible loan notes, which was partially offset by a decrease in pledged/restricted bank deposits.

Our net current assets decreased from RMB537.7 million as of December 31, 2021 to RMB527.1 million as of December 31, 2022, primarily due to a decrease in inventories and an increase in convertible loan notes, which was partially offset by a decrease in trade and other payables.

## SUMMARY

### Cash Flow

The following table sets out our cash flows for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/from operating activities . . . . .	(1,192,638)	609,795	586,360
Net cash from/(used in) investing activities . . . . .	239,163	(373,667)	210,641
Net cash (used in)/from financing activities . . . . .	765,279	(129,073)	(632,443)
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(188,196)</b>	<b>107,055</b>	<b>164,558</b>
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>533,202</b>	<b>642,864</b>	<b>809,838</b>

In 2021, our net cash used in operating activities was RMB1,192.6 million, which was primarily attributable to our loss before tax for the year and a decrease in trade and other payables, which was partially offset by the add-back of write-down of inventories. In 2022, our net cash from operating activities was RMB609.8 million, which was primarily attributable to our profit before tax for the year and a decrease in inventories. In 2023, our net cash from operating activities was RMB586.4 million, which was primarily attributable to our profit before tax for the year, which was partially offset by an increase in trade receivables.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years or as of the dates indicated:

	Year ended/As of December 31,		
	2021	2022	2023
Gross profit margin <sup>(1)</sup> (%) . . . . .	20.9	34.9	34.5
Net profit margin <sup>(2)</sup> (%) . . . . .	(6.5)	3.1	6.0
Gearing ratio <sup>(3)</sup> . . . . .	1.0	1.1	0.7
Current ratio <sup>(4)</sup> . . . . .	1.2	1.2	1.7
Quick ratio <sup>(5)</sup> . . . . .	0.7	0.8	1.2

*Notes:*

- (1) Gross profit margin equals gross (loss)/profit divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin equals net (loss)/profit divided by revenue for the year and multiplied by 100%.
- (3) Gearing ratio equals total interest-bearing debt (including interest-bearing bank borrowings, lease liabilities and convertible loan notes) divided by total equity and multiplied.
- (4) Current ratio equals total current assets divided by total current liabilities.
- (5) Quick ratio equals total current assets less inventories divided by total current liabilities.

## SUMMARY

### APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED], our H Shares to be converted from Domestic [REDACTED] Shares and issued pursuant to the [REDACTED], on the basis that we satisfy the market capitalization/revenue test under Rule 8.05(3).

### OUR SINGLE LARGEST SHAREHOLDERS GROUP

Immediately before completion of the [REDACTED], Mr. Lu (directly and through Yueqing Aoji Growth IV, an entity controlled by Mr. Lu) and Mr. Ze beneficially owned 19.43% and 11.22% of the issued share capital of our Company, respectively, and by virtue of the concert party agreement among them, they are collectively entitled to exercise control of approximately 30.65% voting powers of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will hold approximately [REDACTED]% of our enlarged issued share capital. Accordingly, Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will be our Single Largest Shareholders Group upon [REDACTED]. See “Relationship with Our Single Largest Shareholders Group” for further details.

### PRE-[REDACTED] INVESTMENTS

We have engaged in Pre-[REDACTED] Investments with our Pre-[REDACTED] Investors. For further details of the identity and background of the Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investments, see “History, Development and Corporate Structure — Pre-[REDACTED] Investments.”

### [REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
[REDACTED] of our H Shares <sup>(1)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]
[REDACTED] of our Shares <sup>(2)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share <sup>(3)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]

*Notes:*

- (1) The calculation is based on the assumption that [REDACTED] H Shares will be issued pursuant to the [REDACTED] and [REDACTED] Domestic [REDACTED] Shares will be converted into H shares (without taking into account H Shares that may be issued upon the exercise of the [REDACTED]).
- (2) The calculation is based on the assumption that [REDACTED] Shares will be expected to be in issue immediately upon completion of the [REDACTED] (without taking into account Shares that may be issued upon the exercise of the [REDACTED]).
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share as of December 31, 2023 is calculated after making the adjustments referred to Appendix II. H Shares will be issued pursuant to the [REDACTED] (without taking into account Shares that may be issued upon the exercise of the [REDACTED]).

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## SUMMARY

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### [REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED], representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED] (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised). The [REDACTED] expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK\$[REDACTED] fees and approximately HK\$[REDACTED] fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]). Among the total [REDACTED] expenses which we expect to incur, approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares and capitalized, and the remaining HK\$[REDACTED] will be expensed upon [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in 2024.

### FUTURE PLANS AND [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] commissions and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED]. We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for our business expansion. We intend to consistently expand our business scale and provide consumers with high-quality products.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance our digitalization. We intend to further improve our information management systems.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for potential investment or mergers and acquisitions opportunities along the industry chain.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for working capital and general corporate uses.

See “Future Plans and [REDACTED].”

### DIVIDEND

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Currently, we do not have a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our PRC Legal Advisors, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to

## SUMMARY

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allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board.

### **RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE**

We have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of the periods reported in the Accountants' Report set out in Appendix I to this document, and there has been no event since December 31, 2023 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.



## DEFINITIONS

*In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.*

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, which was passed by our Shareholders at the Shareholders’ meeting on March 19, 2024, which shall become effective on the [REDACTED], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix IV to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“ASTM”	American Society for Testing and Materials, the international standards organization that develops and publishes voluntary consensus technical standards for a wide range of materials, products, systems and services
“Audit Committee”	the audit committee of our Company
“Aukey International”	Aukey International Limited (傲基國際有限公司), a subsidiary of our Company
“Authorized Representative(s)”	the authorized representative(s) of our Company
“Auwin International”	Auwin International Limited (傲盈國際有限公司), a subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Board Committee(s)”	the board committees of our Company, namely the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee

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## DEFINITIONS

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“Business Day” or “business day” a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

“CDSS” the Clinical Decision Support System

“CE” Conformance Europeene, a mark appears on products which signifies that the products sold in the European Economic Area have been assessed to meet high safety, health, and environmental protection requirements

“China”, “Mainland China” or “PRC” the People’s Republic of China, excluding, for the purpose of this document, Hong Kong, Macau and Taiwan

“CITIC Securities” CITIC Securities Company Limited (中信證券股份有限公司), a joint stock company (stock code: 600030.SH and 6030.HK) which was established under the laws of PRC in October 1995

“CITIC Securities Investment” CITIC Securities Investment Co., Ltd (中信證券投資有限公司), a limited liability company established under the laws of PRC in April 2012 and one of our Pre-[REDACTED] Investors

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company” or “the Company”	AuGroup Technology Co., Ltd. (傲基科技股份有限公司), formerly known as Shenzhen Aukey E-Business Co., Ltd. (深圳市傲基電子商務股份有限公司) and Shenzhen Aukey E-Business Co., Ltd. (深圳市傲基電子商務有限公司), a limited liability company established in the PRC on September 13, 2010, which was converted into a joint stock limited company in the PRC on May 25, 2015
“Compliance Advisor”	Red Solar Capital Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion of Domestic [REDACTED] Shares into H Shares”	The conversion of [REDACTED] Domestic [REDACTED] Shares in aggregate held by [REDACTED] existing Shareholders into H Shares upon the completion of the [REDACTED]. Such conversion of Domestic [REDACTED] Shares into H Shares has been filed with the CSRC and CSRC has issued the filing notice in respect of the [REDACTED] dated [●]; and an application for H Shares to be [REDACTED] on the Hong Kong Stock Exchange has been made to the Hong Kong Stock Exchange
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

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## DEFINITIONS

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“Director(s)”	director(s) of our Company
“Domestic [REDACTED] Share(s)”	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and not listed on any stock exchange
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“EPA”	the U.S. Environmental Protection Agency

[REDACTED]

“Extreme Conditions”	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong or any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong or that may affect the [REDACTED]
“FCC”	the U.S. Federal Communications Commission

[REDACTED]

“FTC”	the U.S. Federal Trade Commission
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[REDACTED]

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## DEFINITIONS

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[REDACTED]

“Gongqingcheng Greenwoods Jing’an”      Gongqingcheng Greenwoods Jing’an Investment Management Partnership (Limited Partnership) (共青城景林景安投資管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in January 2018 and one of our Pre-[REDACTED] Investors

“Greenwoods”      refers to Gongqingcheng Greenwoods Jing’an, Shanghai Greenwoods Jinghui and Shenzhen Greenwoods Jingying

“Group,” “our Group,”  
“we” or “us”      our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

“H Share(s)”      overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange

[REDACTED]

“Hainan Hongdao”      Hainan Hongdao Equity Investment Fund Management Co., Ltd. (海南鴻道股權投資基金管理有限公司), a limited liability company established under the laws of PRC in November 2015 and one of our Pre-[REDACTED] Investors

[REDACTED]

“HK Fanttik”      Fanttik Innovation Limited (范泰克創新有限公司), a subsidiary of our Company

“HK\$” or “HK dollars”      Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

## DEFINITIONS

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[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

[REDACTED]

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## DEFINITIONS

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“Hong Kong Stock Exchange” or “Stock Exchange”      The Stock Exchange of Hong Kong Limited

[REDACTED]

“Hongdao Zhixin”      Ningbo Meishan Free Trade Port Zone Hongdao Zhixin Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區鴻道致鑫投資管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in January 2018 and one of our Pre-[REDACTED] Investors

“HongShan Baosheng”      Ningbo HongShan Baosheng Equity Investment Partnership (Limited Partnership) (寧波紅杉保盛股權投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC in June 2018 and one of our Pre-[REDACTED] Investors

“IFRS”      International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards and interpretation issued by the International Accounting Standards Committee

“Independent Third Party(ies)”      any entity(ies) or person(s) who to the best of our Directors’ knowledge, information and belief, is not a connected person of our Company within the meaning of the Listing Rules

## DEFINITIONS

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[REDACTED]



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## DEFINITIONS

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“Ke’ao Technology” Shenzhen Ke’ao Technology Co., Ltd. (深圳市科傲科技有限公司), a limited liability company established under the laws of PRC in January 2012

“Latest Practicable Date” [March 25, 2024], being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

“Main Board” the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange

“Midea Fund” Guangdong Midea Intelligent Technology Industry Investment Fund Management Center (Limited Partnership) (廣東美的智能科技產業投資基金管理中心(有限合夥)), a limited partnership established under the laws of PRC in November 2018 and one of our Pre-[REDACTED] Investors

“MIIT” Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOF” Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

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## DEFINITIONS

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“Mr. Lu”	Mr. Lu Haizhuan (陸海傳先生), our founder, chairperson of the Board, executive Director, chief executive officer and a member of our Single Largest Shareholders Group, see “Directors, Supervisors and Senior Management — Board of Directors” and “Relationship with Our Single Largest Shareholders Group”
“Mr. Ze”	Mr. Ze Kuaiyue (衺會越先生), our co-founder, vice chairperson of the Board, executive Director, chief financial officer and a member of our Single Largest Shareholders Group, see “Directors, Supervisors and Senior Management — Board of Directors” and “Relationship with Our Single Largest Shareholders Group”
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Negative List”	the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition), most recently jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and which became effective on January 1, 2022, as amended, supplemented or otherwise modified from time to time
“NewTrails”	NewTrails SPV I Limited, a limited liability company under the Hong Kong laws in March 2024 and one of our Pre-[REDACTED] Investors

[REDACTED]

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## DEFINITIONS

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[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisor”	King & Wood Mallesons, our legal advisor as to the laws of the PRC
“Pre-[REDACTED] Investment(s)”	the Pre-[REDACTED] investments in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set out in the section headed “History, Development and Corporate Structure” in this document
“Pre-[REDACTED] Investors”	the investor(s) who participated in our Pre-[REDACTED] Investments, details of which are set out in the section headed “History, Development and Corporate Structure” in this document

[REDACTED]

“document”	this document being issued in connection with the [REDACTED]
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## DEFINITIONS

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“province”	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
	[REDACTED]
“Qingdao GoldStone”	Qingdao GoldStone Haorui Investment Co., Ltd. (青島金石灑納投資有限公司), a limited liability company established under the laws of PRC in December 2012 which became our Shareholder in March 2017 and transferred all Shares of our Company held by it to CITIC Securities Investment. Both Qingdao GoldStone and CITIC Securities Investment are controlled by CITIC Securities
	[REDACTED]
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as the SAMR
“Sailvan Times”	Sailvan Times Co., Ltd. (賽維時代科技股份有限公司), a limited liability company established under the laws of PRC in May 2012 (stock code: 301381.SZ) and one of our Pre-[REDACTED] Investors
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
“SAT”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

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## DEFINITIONS

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“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Greenwoods Jinghui”	Shanghai Greenwoods Jinghui Equity Investment Center (Limited Partnership) (上海景林景惠股權投資中心(有限合夥)), a limited partnership established under the laws of PRC in March 2015 and one of our Pre-[REDACTED] Investors
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Aukeyhi Technology”	Shenzhen Aukeyhi Technology Co., Ltd. (深圳傲科海科技有限公司), formerly known as Shenzhen Aukeyhi E-Commerce Co., Ltd. (深圳傲科海電子商務有限公司), a subsidiary of our Company
“Shenzhen Capital Group”	Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a limited liability company established under the laws of PRC in August 1999 and one of our Pre-[REDACTED] Investors
“Shenzhen Changguo”	Shenzhen Changguo Investment Partnership (Limited Partnership) (深圳市長果投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC in March 2015, which was one of our employee share incentive platforms and has been voluntarily deregistered in March 2024
“Shenzhen Fanttik”	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技創新有限公司), a limited liability company established under the laws of PRC in February 2019

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## DEFINITIONS

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“Shenzhen Greenwoods Jingying”	Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of PRC in February 2018 and one of our Pre-[REDACTED] Investors
“Shenzhen Redland”	Shenzhen Redland Information Venture Investment Limited Company (深圳市紅土信息創業投資有限公司), a limited liability company established under the laws of PRC in May 2011, which became our Shareholder in March 2012 and ceased to be our Shareholder during our quotation on the NEEQ
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shenzhen Westernpost”	Shenzhen Westernpost Intelligent Warehouse Technology Co., Ltd. (深圳市西郵智倉科技有限公司), a subsidiary of our Company
“SilkRoad Industrial Investment”	Zhejiang SilkRoad Industrial Investment Fund Partnership (Limited Partnership) (浙江絲路產業投資基金合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2017 and one of our Pre-[REDACTED] Investors
“Single Largest Shareholders Group”	refers to Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV
	[REDACTED]
“Sole Sponsor”	the sole sponsor of the [REDACTED] of the H Shares on the Stock Exchange as named in “Directors, Supervisors and Parties Involved in the [REDACTED]”
	[REDACTED]
“Starquest Fund”	Starquest New Economy Equity Investment Fund (Shenzhen) L.P. (星界新經濟股權投資基金(深圳)合夥企業(有限合夥)), a limited partnership established under the laws of PRC in February 2018 and one of our Pre-[REDACTED] Investors

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## DEFINITIONS

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“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Suzhou Cathay Growth”	Suzhou Cathay Growth Investment Fund Partnership (Limited Partnership) (蘇州凱輝成長投資基金合夥企業(有限合夥)), a limited partnership established under the laws of PRC in December 2017 and one of our Pre-[REDACTED] Investors

[REDACTED]

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Times Bole”	a group of external investors of our Company that were controlled by Shenzhen Hanxin Asset Management Co., Ltd. (深圳市瀚信資產管理有限公司), a professional asset management company established under the laws of PRC in January 2010, which became our Shareholder in November 2014 and ceased to be our Shareholder during our quotation on the NEEQ
“Track Record Period”	The financial years ended December 31, 2021, 2022 and 2023
“UK” or “U.K.”	the United Kingdom of Great Britain and Northern Ireland

[REDACTED]

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## DEFINITIONS

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“US”, “U.S.” or “United States”	the United States of America, its territories and possessions and any State of the United States, and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$,” “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Wendi Design”	Zhuhai Wendi Design Consulting Co., Ltd. (珠海溫迪設計諮詢有限公司), a limited liability company established under the laws of PRC in July 2021 and one of our Pre-[REDACTED] Investors
“Wendi Technology”	Zhuhai Wendi Technology Co., Ltd. (珠海溫迪科技有限公司), a limited liability company established under the laws of PRC in July 2021 and one of our Pre-[REDACTED] Investors
“WESTERN POST (HK)”	WESTERN POST (HK) LIMITED, a subsidiary of our Company
“WESTERN POST (SG)”	WESTERN POST (SG) PTE. LTD, a subsidiary of our Company
“WESTERN POST (US)”	WESTERN POST (US) INC, a subsidiary of our Company
“Wuhan Shunhong”	Wuhan Shunhong Equity Investment Partnership (Limited Partnership) (武漢順宏股權投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC in April 2018 and one of our Pre-[REDACTED] Investors
“Wuhan Shunying”	Wuhan Shunying Equity Investment Partnership (Limited Partnership) (武漢順贏股權投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC in April 2018 and one of our Pre-[REDACTED] Investors
“Yueqing Aoji Growth ESOPs”	refers to Yueqing Aoji Growth V, Yueqing Aoji Growth VI, Yueqing Aoji Growth VIII, Yueqing Aoji Growth IX and Yueqing Ao X



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## DEFINITIONS

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“Yueqing Aoji Growth IV”	Yueqing Aoji Growth IV Enterprise Management Partnership (Limited Partnership) (樂清市傲基成長肆號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2020 and a member of our Single Largest Shareholders Group, see “Relationship with Our Single Largest Shareholders Group”
“Yueqing Aoji Growth V”	Yueqing Aoji Growth V Enterprise Management Partnership (Limited Partnership) (樂清市傲基成長伍號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2020 and one of our employee share incentive platforms, in which all the award Shares have been vested
“Yueqing Aoji Growth VI”	Yueqing Aoji Growth VI Enterprise Management Partnership (Limited Partnership) (樂清市傲基成長陸號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2020 and one of our employee share incentive platforms, in which all the award Shares have been vested
“Yueqing Aoji Growth VIII”	Yueqing Aoji Growth VIII Enterprise Management Partnership (Limited Partnership) (樂清市傲基成長捌號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2020 and one of our employee share incentive platforms, in which all the award Shares have been vested
“Yueqing Aoji Growth IX”	Yueqing Aoji Growth IX Enterprise Management Partnership (Limited Partnership) (樂清市傲基成長玖號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in August 2020 and one of our employee share incentive platforms, in which all the award Shares have been vested
“Yueqing Ao X”	Yueqing Ao X Enterprise Management Partnership (Limited Partnership) (樂清市傲拾企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC in September 2021 and one of our employee share incentive platforms, in which all the award Shares have been vested
“Zhuhai Yinshan”	Zhuhai Yinshan Modern Logistics Industry Equity Investment Fund (Limited Partnership) (珠海隱山現代物流產業股權投資基金(有限合夥)), a limited partnership established under the laws of PRC in June 2017 and one of our Pre-[REDACTED] Investors

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## DEFINITIONS

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“%” per cent

*In this Document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this Document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain terms used in this document in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.*

“app(s)”	computer program(s) designed to run on a mobile device such as a phone/tablet or watch
“B2B”	business to business
“B2C”	business to consumer
“CAGR”	compound annual growth rate
“CPC”	cost per click, a performance-based pricing model where advertisement service fees are charged on the basis of each click
“CPM”	cost per mille, a non-performance-based pricing model where advertising is paid based on one thousand impressions of the advertisement
“DSP”	demand side platform, a platform that allows buyers of digital advertising inventory to manage multiple ad exchange and data exchange accounts through one interface, enabling the platform-based sellers to increase the brand awareness both on and off the e-commerce platforms
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“FBA”	fulfillment by Amazon, a fulfillment method provided by Amazon to third-party e-commerce sellers based on Amazon’s self-operated logistics network, covering receiving, packing, shipping, customer service and returns for orders, to facilitate the delivery of products when Amazon’s customers make a purchase on Amazon

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## GLOSSARY OF TECHNICAL TERMS

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“FBM”	fulfillment by merchant, a fulfillment method provided by Amazon
“FEU”	forty-foot equivalent unit, a shipping container whose internal dimensions measure about 40 feet long, eight feet wide, and eight feet tall
“GDP”	gross domestic product
“GFA”	gross floor area
“GMV”	gross merchandise volume
“inventory accuracy rate”	refers to the measure of how closely a company’s physical inventory matches the inventory records in its management system, which is calculated by dividing the number of accurate inventory records by the total number of inventory records
“IP”	intellectual property
“KOL”	key opinion leaders
“medium-to-large goods”	in the context of B2C export e-commerce logistics solutions, usually refers to goods weighing over 0.5 kg and/or measuring over 25 cm in length, 20 cm in width and 2.5 cm in height
“MWh”	megawatt-hour, a unit of measure of electric energy
“OEM”	original equipment manufacturer, a company that manufactures a product in accordance with its customer’s designs which ultimately will be branded by its customer for sale
“OMS”	order management system
“return rate”	a metric used to assess the proportion of products returned by customers within a specific timeframe, calculated by dividing the amount of returns in a given period by the GMV deducting discounts in that period
“Seller Central program”	refers to the seller program on Amazon, where retail customers purchase products through Amazon e-commerce marketplace directly from the seller

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## GLOSSARY OF TECHNICAL TERMS

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“SKU”	stock keeping unit
“sq.ft.”	square feet
“sq.m.”	square meter
“TMS”	transportation management system
“ton(s)”	a unit of weight in the metric system, equal to 1,000 kilograms
“user traffic”	the total number of internet users that visit the website within a certain period
“WMS”	warehouse management system
“24-hour inventory delivery rate”	refers to the percentage of orders for medium-to-large goods which are delivered to last-mile fulfillment service providers within 24 hours of the order placement

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## FORWARD-LOOKING STATEMENTS

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This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

## RISK FACTORS

*You should carefully consider all of the information in this document, including the risks and uncertainties described below before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We generate the majority of our revenue from a small number of third-party e-commerce platforms. Disruptions of our relationships with third-party e-commerce platforms, changes in, or interpretation of, policies of such third-party e-commerce platforms or unfavorable changes in our arrangements with them, could have a material adverse effect on our business, financial condition and results of operations.**

During the Track Record Period, we primarily sold our products through third-party e-commerce platforms, especially Amazon, Walmart and Wayfair, to consumers. In 2021, 2022 and 2023, our revenue generated from sales through third-party e-commerce platforms was RMB8,233.4 million, RMB5,878.0 million and RMB6,656.9 million, respectively, accounting for 90.8%, 82.8% and 76.7% of our total revenue, for the same years, respectively. We expect that sales through such third-party e-commerce platforms will continue to contribute the majority of our total revenue in the foreseeable future. As such, our profitability and business performance rely on, among other things, the continued strong business relationships between third-party e-commerce platforms and us.

We have entered into standard agreements with third party e-commerce platforms such as Amazon, Walmart and Wayfair. We cannot guarantee that we will be able to maintain and renew our agreements on favorable terms, or at all. In the case that third-party e-commerce platforms amend the terms of agreements or render such terms unfavorable to us, our business performance, results of operations and profitability may be materially and adversely affected. In addition, if stricter laws and regulations or other regulatory requirements on e-commerce activities are established and impose additional compliance obligations on us, we may incur significant compliance costs.

Moreover, our business on third-party e-commerce platforms is governed by the policies and enforcement of these platforms. For example, our operation of multiple stores to facilitate the tailored product listings under diverse product categories and conduct tailored sales and promotion efforts may be challenged. In such cases, such platforms have the authority to suspend or terminate our seller accounts, seller stores or sales activities for reasons such as the way our online stores are managed and operated. They may also withhold our sales proceeds for a duration under certain conditions, or we may have to cancel orders, which will incur related costs. During the Track Record Period, certain of our sales and marketing activities, were identified in violation with relevant platform policies by Amazon. See "Business — Marketing and Promotion — The Amazon Incident." We cannot assure you that third-party e-commerce platforms will not adopt new policies or change existing policies that may materially and adversely affect us. Any disruption or termination of our ability to sell products on these platforms could significantly affect our sales network, customer base and overall business performance.

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## RISK FACTORS

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Furthermore, our sales of products depend on the proper operation of third-party e-commerce platforms. However, we do not have control over such third-party e-commerce platforms, and they may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any material interruption or damage to the e-commerce platforms may have an adverse effect on our business, financial condition and results of operations.

**We may not identify or respond in a timely manner to changes in consumer preferences and market demand, or fail to continuously design and develop new products to meet the evolving consumer demand, which may materially and adversely affect our business operations and financial performance.**

Our business operations and future growth depend on our ability to identify and promptly respond to consumer preferences and market demand, which may change from time to time, subject to factors beyond our control, such as changes in consumption willingness, purchasing power and evolving consumer demographics. We have consistently invested in product development and implementing effective sales and marketing activities to stay abreast of market trends. However, we cannot assure you that our efforts will always be effective. If we are unable to predict and promptly respond to consumer preferences or market demand, we may fail to continuously develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies or properly manage our inventory. Such failure could negatively impact our brand image and result in diminished consumer experience. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

Furthermore, to cater to the different market demand, we consistently develop new brands as well as design and launch new products. However, we cannot assure you that such efforts will be successful. The success of new brands and products depends on multiple factors, including those beyond our control, such as industry trends, market demand, regulatory approvals, production efficiency, competition and consumer acceptance. Failure to launch new brands products may materially and adversely affect our business, financial condition and results of operations.

**We rely on manufacturing partners to produce our products. If our manufacturing partners fail to produce products that are of consistent high quality, or if we encounter issues such as material shortage or delay in the supply, or if raw materials and labor costs fluctuate, or if we fail to renew agreements with our manufacturing partners on favorable terms, or at all, our business, financial condition and results of operations could be materially and adversely affected.**

We rely on manufacturing partners for the production of our products. We may experience operational difficulties with our manufacturing partners, including insufficient production capacity, failure to meet quality control standards, product specifications and production deadlines as well as delays in delivery of products. In addition, our manufacturing partners may experience disruptions in their manufacturing operations due to various factors beyond their control, including equipment breakdowns, labor strikes or shortages, raw material shortages, cost increases, violation of environmental, health or safety laws and regulations and national and industrial standards in terms of product safety and quality, natural disasters, health epidemics, fires or other problems. If we fail to timely replace our manufacturing partners affected with qualified substitute under our selection criteria, the occurrence of any such events could cause additional costs or substantial delays.

Moreover, our manufacturing partners procure raw materials before commencing production, therefore, our procurement costs for our sales of goods are impacted by the costs of raw materials as well as our manufacturing partners' labor costs. Changes in the procurement costs may affect our cost structure. The prices of various raw materials for our products fluctuated during the Track Record Period and may continue to fluctuate in the future. See "Industry Overview — Cost Analysis." If we are unable to control our costs, our business, results of operations and financial condition would be materially and adversely affected.



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## RISK FACTORS

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Furthermore, we cannot guarantee you that we will always be able to maintain and renew the agreements with our manufacturing partners on favorable terms, or at all. It may take a significant time or resources to identify manufacturing partners that have the capability and resources to produce products to our specifications in sufficient volume, which could have an adverse effect on our business, financial condition and results of operations.

**If we fail to compete effectively and successfully, our business operations, financial performance and profitability may be materially and adversely affected.**

We primarily compete in the global B2C e-commerce market for furniture and home furnishings. We also compete in the B2C export e-commerce logistics solutions market. The development of the global B2C e-commerce market and the B2C export e-commerce logistics solutions market is subject to uncertainties and may be impacted by factors such as changes in relevant laws and regulations, changes in consumer demand and public health incidents. In addition, our ability to compete effectively against existing or potential competitors depends on various factors, such as brand reputation, the diversification of product portfolio, product quality, sales and marketing capabilities and customer acquisition and retention capabilities. Some of our competitors may have competitive advantages in these areas. As competition intensifies and the presence of potential competitors increases, we may need to devote more management, financial or human resources. If we are not able to compete effectively, our market share could decline and our business, financial performance and profitability could be materially and adversely affected.

**Any adverse changes in macroeconomic situations, such as fluctuations in interest rates, or economic downturn in the U.S. or Europe, or deterioration in political and economic relations among countries, may negatively and materially affect our business, financial condition and results of operations.**

During the Track Record Period, our consumer base primarily spans across the U.S. and Europe. In 2021, 2022 and 2023, our revenue generated in the U.S. amounted to RMB5,355.0 million, RMB5,047.1 million and RMB6,113.0 million, respectively, accounting for 59.0%, 71.1% and 70.4% of our total revenue, respectively, for the same years. In 2021, 2022 and 2023, our revenue generated in Europe amounted to RMB2,776.5 million, RMB1,064.2 million and RMB773.8 million, respectively, accounting for 30.6%, 15.0% and 8.9% of our total revenue, respectively, for the same years. However, we cannot assure you that we will be able to continue to maintain our market presence in the U.S. and Europe in the future. In the event that there are significant changes in consumers' spending patterns, and if we are unable to respond effectively to the U.S. and Europe markets or offer competitive prices to our consumers in the U.S. and Europe markets, our business, financial condition and results of operations could be adversely affected.

In addition, macro-economic factors, such as changes in global or national economic and political conditions, changes in the regulatory environment, fluctuations in interest rates, inflation, consumer preferences and employment levels, may affect the overall performance of the economies of the U.S. and Europe, and may cause significant changes in consumers' spending patterns or our costs of doing business.

Our operations may be negatively affected by any deterioration in the political and economic relations among countries. Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. European Union sanctions also have similar regime to prohibit the provision of products to countries or regions, governments and persons on their respective target list. We cannot assure you that our products would not be provided to those targets through independent distributors. Any such provision could have negative consequences, including government investigations, penalties and reputational harm.

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We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results. Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products and services in certain countries could be materially and adversely affected by international trade regulations. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S., Europe or other jurisdictions in the future, may be difficult or costly to comply with. In addition, the restrictions may also subject us to regulatory investigations, fines, penalties or other actions and reputational harm.

### **We are exposed to the risks relating to third-party logistics solutions providers.**

Our delivery arrangements can be broadly divided into: (i) fulfillment services provided by third-party e-commerce platforms; (ii) logistics solutions offered by various third-party logistics solutions providers; and (iii) our in-house logistics capabilities through Shenzhen Westernpost. Our collaboration with third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial difficulties or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be impacted, which could cause a decline in product sales and loss of revenue. In addition, improper handling of our products by the logistics solutions providers could also result in product damage, which could lead to product liabilities or claims and damage our brand image and reputation. Furthermore, fluctuations in the prices of logistics solutions affect our ability to provide cost-effective products to our customers, and may materially and adversely affect our business, financial condition and results of operations. Any of these events of which could materially and adversely affect our business, financial condition and results of operations.

### **Failure of efficient inventory management may have a material and adverse effect on our business and financial performance.**

Our inventories primarily include finished goods. As of December 31, 2021, 2022 and 2023, we had inventories net of allowance of RMB1,379.8 million, RMB1,026.6 million and RMB1,045.8 million, respectively, and had made provision for inventories of RMB1,069.8 million, RMB304.8 million and RMB39.5 million as of the same dates, respectively. Our inventory turnover days were 118.5 days, 170.5 days and 101.3 days in 2021, 2022 and 2023, respectively. See “Financial Information — Consolidated Statements of Financial Position — Current Assets and Liabilities — Inventories.” Our inventory level is subject to various factors which are beyond our control, failure to forecast consumer demand or any unexpected event affecting the sales of our products could result in increased inventory obsolescence, a decline in inventory value or inventory write-downs. There can be no assurance that we will be able to maintain optimal inventory level, and any such failure may have a material adverse effect on our business, financial condition and results of operations.

### **Our investment in product development and technology may not generate expected outcomes.**

Our future success, in part, depends on our ability to continue to upgrade our existing products and to develop, design and launch new products, which requires significant human and capital resources. In 2021, 2022 and 2023, our research and development expenses were RMB176.8 million, RMB123.7 million and RMB119.2 million, respectively. We intend to continue to strengthen our product development capabilities, which can be capital intensive and

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time consuming. If we are unable to design, develop, manufacture and market new products successfully in a timely manner, our business and results of operations may be adversely affected. If we fail to generate ideal results from our research and development, there may be a waste of capital and human resources, which may adversely affect our business, results of operations and financial condition.

We believe that technology will continue to be an important driving force for our business growth. We have invested, and we intend to continue to invest significantly, in technology, automation and business intelligence tools, to optimize our operations. This plan mainly is manifested in various aspects of our business operations. However, technological changes are rapid, and we may not be able to keep abreast of the latest development; as a result, our technology systems may become obsolete. There is no guarantee that our investments in technology initiatives will generate sufficient returns or that they will have the expected effects on our business operations. If our technology investments do not meet our expectations for the above or other reasons, our prospects, cash flow and results of operations may be adversely affected.

**Any quality issues related to our products could result in a loss of customers and may subject us to product liability claims and reputational risks.**

Our business operations and brand reputation rely on the consistent product quality. We have implemented a stringent quality control system to ensure the high standard of our products. See "Business — Quality Control." However, the system may not always be successful in detecting defects or quality issues especially if they originate from factors beyond our direct control. We may be subject to product liability claims related to our products. Such claims could stem from allegations or proof that our products are unsafe or defective. The failure to detect, prevent, or control defects in our products, as well as the delivery of defective products to consumers, could adversely affect our business.

If any product sold by us are alleged to be unsafe or defective, we may experience reduced sales of the relevant products and may have to recall them from the market. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall, nor had we experienced any material product liability claim. Nevertheless, we cannot assure that such recalls will not occur, or such claims will not be filed against us in the future. Any claims made against us could have a material adverse effect on our reputation, business, financial condition and results of operations. Any product recalls or any claims against us, regardless of merit, can strain our financial resources, hurt our reputation and consume the time and attention of our management. If any claims against us are successful, we may incur liabilities, and our reputation may be severely damaged.

**Any unexpected or prolonged disruption to our warehousing network could adversely affect our business.**

As of December 31, 2023, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany). See "Business — Supply Chain Management — Inventory Management." In the event that there is any unexpected and prolonged disruption in the supply of utilities, such as water or electricity, or access to the premises, such as because of fire, and we cannot restore the affected warehouse, or relocate to another suitable location promptly with well-equipped facilities, our business operations will be materially and adversely interrupted, which in turn will affect our results of operations. If any of our warehouses experiences a material incident or our prevention measures are not adequately implemented in the future, we may lose the goods stored therein, incur significant costs and expenses to restore or to relocate such warehouses, or be determined by the relevant

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authorities to be in violation of applicable laws and regulations and subject to relevant administrative penalties. If such an incident causes damages to other third parties, we may also be required to compensate if we are determined to be partially or fully responsible for such incident. Under such circumstances, our business, financial condition and results of operations and may be adversely affected.

Furthermore, as all warehouses we operate for providing logistics solutions through Shenzhen Westernpost are leased, we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs. Our landlords could increase the rent or impose more stringent payment terms when negotiating to renew our leases, which could in turn adversely affect our profitability and results of operations. We may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate our warehouses or offices to other sites. Such relocation may disrupt our operations and incur significant relocation costs and capital expenditures in relation to the installation of warehousing facilities and technology systems, and could in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate such operations to suitable alternative premises in a timely manner or at all, and failure in relocating our operations when required could result in disruption to our business operations. In addition, we compete with other businesses for premises at certain locations or of desirable size. In the event that we fail to relocate our operations in a timely manner, our financial position, results of operations and reputation would be adversely affected. We also lease out some of idle warehouse space to third parties. Therefore, we are exposed to risks in relation to liability for damage or loss of stored goods, challenges in ensuring compliance with applicable regulations, and the possibility of contractual disputes arising from unclear terms or breaches of the lease agreement.

**If we fail to digitalize our supply chain management systems or adopt automated equipment, our business, financial condition and results of operations may be materially and adversely affected.**

We operate in a highly competitive e-commerce landscape where the efficiency and effectiveness of supply chain management are critical to maintaining our competitiveness. Our ability to meet customer expectations for prompt delivery and product availability hinges on the digitalization of our supply chain management systems and the adoption of automated equipment for our prototyping, logistics and warehousing. Failure to do so may lead to inefficiencies in tracking inventory levels as well as delays or inaccuracies in order fulfillment due to manual handling processes.

**Changes in international trade policies between China and the U.S. or other countries our end consumers are located in may have an adverse effect on our business.**

Relationships between countries and regions could affect levels of trade, investment and other cross border economic activities, which would have a material adverse effect on global economic conditions and the stability of global markets. Any of these factors could have a material adverse effect on our and our logistics solutions customers' business, prospects, financial condition and results of operations. If there were any further escalation of tensions between the U.S. and China, we cannot assure you that our business will not be affected in the future. From time to time, the U.S. government may also impose restrictions that may adversely affect our industry and/or cause changes of the policies of third-party e-commerce platforms, and/or affect the entry of our products into the U.S., the occurrence of which may adversely affect our business, financial condition and results of operations.

Changes in international trade policies, treaties and tariffs between China and the countries our end consumers are located in, particularly between China and the U.S., may affect the demand for our products, impact the competitive position of our products, or prevent us from being able to sell products in certain countries. There have been political matters which

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resulted in increased tensions between the U.S. and China. The U.S. implemented several rounds of import tariffs on products of Chinese origin in hundreds of categories in the Harmonized Tariff Schedule of the U.S. and, the PRC government has also been imposing tariffs on certain products imported from the U.S. into China responding to the U.S. tariffs. It is uncertain whether any further tariff restrictions will be implemented and whether our products sold to the U.S. will be imposed such additional tariffs. In addition, according to the U.S. Customs’ statutes and regulations, third-party logistics solutions providers are generally responsible for the tariff declaration and other responsibilities associated with the importation and ensures the compliance of our tariff declaration. If they fail to timely and adequately complete the tariff declaration, we may be subject to penalties in certain cases, and hence adversely affect our financial condition and business performance.

**Any failure to comply with the laws and regulations relating to cybersecurity, data security and personal information protection may subject us to legal or administrative proceedings, which may materially and adversely affect our reputation and business operations.**

During our daily business operations, we handle personal information, including names, postal addresses and phone numbers. See “Business — Data Privacy and Protection.” Accordingly, our business operations are subject to various data security and personal information protection laws and regulations. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of cybersecurity, data security and personal information in the past few years. For instance, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “Data Security Law,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security undertaken by entities and individuals engaged in data-related activities. It also prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement authorities without the approval of the competent authorities in China. Besides, the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which was promulgated by Cybersecurity Administration of China (the “CAC”) on July 7, 2022 and became effective on September 1, 2022, stipulates the obligation that before applying for the security assessment of cross-border data transfer, data handlers shall conduct a self-assessment of the risks in the outbound data transfer. And on November 7, 2016, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), effective since June 1, 2017), and pursuant to which, the state is to advance the development of a socialized service system for cybersecurity, and encourage related businesses and institutions to carry out cybersecurity services such as certification, testing and risk assessment. According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective in February 2022 an online platform operator who possesses personal information of more than one million users must apply to the authorities for Cybersecurity Review if it intends to go list abroad. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例 (徵求意見稿)》), which requires data handlers to comply with certain requirements during their daily operation and further stipulates that data processors must apply for cybersecurity reviews in certain situations including any data processor intending to be listed in Hong Kong that affects or may affect national security. See “Regulation Overviews — Laws and Regulations Related to Our Business in the PRC — Regulations on Cyber Security, Data Security and Personal Information Protection.” We may also become subject to laws and regulations affecting data protection, data privacy or information security in other jurisdictions such as the General Data Protection Regulation, or the GDPR, adopted by the European Union that became fully effective on May 25, 2018. The interpretation and application of these laws or regulations are often uncertain and in flux.

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During the Track Record Period and up to the Latest Practicable Date, we have complied with applicable data security and personal information protection laws and regulations in the jurisdictions where we operate in all material aspects. See "Business — Data Privacy and Protection." Nevertheless, there might be changes from time to time regarding the interpretation and application of the laws and regulations regarding data privacy and protection as they are generally complex and evolving. In addition, we may be subject to additional regulatory requirements regarding data privacy and protection, which may necessitate adjustments to our data management framework and incur additional costs. Any concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities and reputational damage. In addition, the regulatory regime for data protection and privacy is complex and constantly evolving, which could increase our compliance costs and operational complexity. Complying with new data laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Any failure to closely monitor the relevant regulatory development could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations.

**We face risks inherent in the B2C export e-commerce logistics solutions market, including personal injury, goods damage and transportation-related incidents.**

We provide efficient one-stop logistics solutions to customers, primarily sellers on third-party e-commerce platforms, through Shenzhen Westernpost. Goods in our global warehousing and logistics network may be delayed in transit, stolen, damaged or lost during storage or delivery for various reasons, and we may be perceived or found liable for such incidents. In addition, we may fail to screen goods and detect unsafe or prohibited or restricted items. Unsafe items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other goods in our global warehousing and logistics network, harm our personnel and assets, or even injure recipients. Furthermore, if we fail to prevent prohibited or restricted items from entering into our global warehousing and logistics network and if we participate in the transportation, storage and delivery of such items unknowingly, we may be subject to administrative or even criminal penalties. If any personal injury or property damage occurs, we may also be held liable for civil compensation.

The delivery of goods also involves inherent risks. Our transportation process involves vehicles and personnel in transportation, and are therefore subject to risks associated with transportation safety, and the insurance maintained by us may not fully cover the liabilities caused by transportation related injuries or loss. From time to time, such vehicles and personnel may be involved in traffic accidents, and the goods carried by them may be lost or damaged. In addition, tensions or disputes may occasionally arise from the direct interactions between such personnel and between goods deliverymen and recipients. Personal injuries or property damages may arise if such incidents occur.

Furthermore, as part of our one-stop logistics solutions, we offer overseas warehousing services to our customers through our self-operated and partnered warehouses. Our continued growth depends in part on our ability to profitably operate our warehouses. As of December 31, 2023, under Shenzhen Westernpost, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany). If we experience any disruption to the operation of and fail to effectively utilize our warehouses, we may incur losses which could materially and adversely affect our business, financial condition and results of operations.

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Any of the foregoing could disrupt the offering of our logistics solutions, cause us to incur substantial expenses and divert the time and attention of our management. We may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage or may not be covered by insurance at all. Any uninsured or underinsured loss could harm our business and financial condition. These proceedings or actions may subject us to significant penalties and negative publicity, reducing demand for our solutions, increasing our costs and severely disrupting our business. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures, which may materially and adversely affect our business, financial condition and results of operations.

**Misconduct, non-compliance and omissions by our employees or third parties could harm our business and reputation.**

Misconduct and omissions by our employees could subject us to liability or negative publicity, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations. See "Business — Marketing and Promotion — The Amazon Incident."

In addition, misconduct and omissions by our business partners, including our various suppliers, offline distributors and service providers, as well as other third parties who have entered business relationships with our business partners, could subject us to liability or negative publicity. Although we have strict standards to choose our business partners, we cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties, they may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

**If we are unable to obtain, maintain and protect our intellectual property rights or prevent third parties from any infringement of our intellectual property rights, our ability to compete could be materially and adversely affected.**

Our business relies significantly on our ability to protect and defend our intellectual property rights. As of the Latest Practicable Date, we had 70 registered trademarks, 166 patents and 171 software copyrights in the PRC. As of the same date, we had 1,168 registered trademarks and 464 patents overseas. As of the same date, we had a total of 362 domain names, including 11 registered in the PRC. See "Business — Intellectual Property." However, the protection of intellectual property rights is subject to various risks. We may not be able to file and prosecute all necessary or desired patent applications within a reasonable cost or timeframe. Failure to identify patentable aspects of our product development output in a timely manner could result in the loss of patent protection and allow competitors to develop and commercialize similar products, which could significantly impact our major products, technologies and overall business. In addition, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property rights. Such infringement or misappropriation could lead to significant legal costs and divert management's attention from our business operations.

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### **We may be subject to claims by third parties for intellectual property infringement or other allegations.**

We cannot assure you that our business practices do not and will not infringe, misappropriate or otherwise violate any patents, trademarks, copyrights, trade secrets and other proprietary rights of third parties. Due to the similarity of certain design elements and our diversified product portfolio, we may, from time to time, be involved in IP disputes where third parties claiming our products infringe their IP rights, which we believe is in line with the industry norm. Intellectual property litigation is usually complex and the results of intellectual property litigation are unpredictable. As we gain greater visibility and market exposure as a public company in the future, we may also be at greater risk of being the subject of intellectual property litigation. Third parties may claim that our products or activities infringe, misappropriate or otherwise violate their patents, trademarks, copyrights, trade secrets or other proprietary rights. Defending against these allegations and lawsuits could be costly, take a significant amount of time, distract management from our business operations and delay our product launch. In addition, if we are found to be liable for any infringement, misappropriation or other violation of a third party’s patents, trademarks, copyrights, trade secrets or other proprietary rights, we may be required to pay substantial damages or be subject to orders, judgments or administrative penalties that prohibit us from selling certain products or impose other liabilities on us. Any allegation of infringement of the intellectual property rights of others, even if unfounded, could damage our reputation and tarnish our brand image. In addition, our use of the disputed intellectual properties may be restricted, which could materially and adversely affect our operations.

### **Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and corporate governance matters, and failure to achieve or potential modification or discontinuation of certain or all environmental, social and corporate governance targets and/or plans, may subject us to penalties and/or adversely affect our business, financial condition and results of operations.**

Relevant regulatory authorities and public advocacy groups have been increasingly focused on environment, social and corporate governance (“ESG”)-related issues in recent years, making our business more sensitive to ESG-related issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds and other influential investors have also been increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and relevant regulatory authorities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of the ESG practices of the target companies. Any ESG concern or issue could also increase our regulatory compliance costs.

If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and relevant regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG-related issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition and the price of our Shares could be materially and adversely affected. Furthermore, to promote environmental responsibility and reduce our environmental footprint, we have established certain environmental targets and plans that are aligned with our overall business strategy and objectives. See “Business — Environmental, Social and Governance.” Failure to achieve or potential modification or discontinuation of certain or all such ESG targets and/or plans may also adversely affect our corporate image, which could in turn result in adverse impacts on our business, financial condition and results of operations.



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### **Failure to maintain effective pricing strategies and any downward changes in the prices of our products may have a material adverse effect on our business and results of operations.**

Demand for our products is generally sensitive to price. Our approach to pricing our products has had, and may continue to have, a significant impact on our revenue and profit margin. In addition, our competitors' pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. If we fail to meet our customers' price expectations, or if we are unable to compete effectively with our competitors when they engage in aggressive pricing strategies and could not effectively adjust our cost structure due to potential downward changes in the prices of our products, it could have a material adverse effect on our business, financial condition and results of operations. In addition, adopting an aggressive pricing strategy to gain or maintain market shares may harm our profitability and sustainability.

### **We are exposed to credit risks related to our trade receivables.**

We are exposed to credit risks related to delay in payment of our customers. Our trade receivables represent the amounts due from our customers for the products sold or services performed in our ordinary course of business. As of December 31, 2021, 2022 and 2023, our trade receivables were RMB468.7 million, RMB467.5 million and RMB807.5 million, respectively. As of December 31, 2021, 2022 and 2023, we had allowance of credit losses of RMB47.7 million, RMB33.8 million and RMB68.9 million, respectively. We decide trading terms with our customers on a case-by-case basis. We normally grant a credit period of 10 to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. In 2021 and 2023, we had impairment losses on trade receivables of RMB30.6 million and RMB38.5 million, respectively. We cannot assure you that we will be able to collect our trade receivables from our customers in full, or at all, in the future, despite our efforts to conduct credit assessment on them. Therefore, we are exposed to risks that our customers might not meet their contractual obligations to us, if we fail to receive payments from our customers on a timely basis, our liquidity and financial condition could be materially and adversely affected. In addition, we cannot assure you that we will be able to collect our trade receivables from third-party e-commerce platforms in full, or at all, in the future, despite our efforts to conduct credit assessment on them.

### **We are subject to risks and uncertainties associated with our investments.**

We have invested in associated companies and may continue to do so in the future. The performance of our associates has affected, and will continue to affect, our results of operations and financial position. Our investments in these companies are recorded as investments accounted for using the equity method, which amounted to RMB102.9 million, RMB97.8 million and RMB75.0 million as of December 31, 2021, 2022 and 2023, respectively. We had share of losses of investments accounted for using the equity method of RMB11.1 million and RMB7.3 million in 2021 and 2022, respectively, while in 2023, we had share of profits of investments accounted for using the equity method of RMB4.9 million. Our investments in associates and results of operations might be affected by the share of results of associates. If the share of profits of these associates were to fluctuate, our results of operations may be adversely affected.

Meanwhile, our investments in associates are subject to liquidity risk if no dividend is declared by associates. Our ability to realize our anticipated investment returns will depend on the associates' ability to pay dividends or complete [REDACTED] or trade sale, which in turn relies on, among other things, the business and financial performance of our associates. There

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is no assurance that our invested associates will declare or pay any dividends. Even if we recognize share of profits of these associates under equity reporting method, our investment would not generate any cash flow for us unless our investees declare and pay dividends to us.

Furthermore, investment in associates are not as liquid as other investment products as our ability to promptly sell our interests in one or more of our associates is limited due to changing economic, financial and investment conditions, which are beyond our control. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates may significantly limit our ability to respond to adverse changes in the performance of our associates. As a result, we may not be able to realize the anticipated economic and other benefits from our associates.

We may continue to make investments in the future. Any future investment may entail numerous risks, such as increased cash requirements and additional indebtedness or contingent or unforeseen liabilities.

**We are subject to foreign exchange risks, fluctuations in exchange rates could have a material and adverse effect on our financial condition and results of operations.**

Change in exchange rates may materially and adversely affect our financial condition and results of operations. Since we operate in overseas countries and a portion of our revenue is denominated in currencies other than Renminbi while our cost of sales and operating costs and expenses are predominantly denominated in Renminbi, our margins may be pressured when Renminbi appreciates against other currencies. During the Track Record Period, we had net foreign exchange gains of RMB23.2 million in 2021, losses of RMB21.7 million in 2022 and gains of RMB14.3 million in 2023 due to the foreign exchange rate fluctuations in connection with our outstanding trade and other receivables denominated in foreign currencies.

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, while the net [REDACTED] from the [REDACTED] will be in Hong Kong dollar. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries.

Fluctuations in exchange rates between the Renminbi and other currencies may be affected by, among other things, changes in political and economic conditions and developments. Although we seek to manage our currency risks to minimize any negative effects caused by exchange rate fluctuations, there can be no assurance that we will be able to do so successfully.

**If our suppliers stop granting us favorable credit terms or shorten the credit terms granted to us, our liquidity condition may be materially and adversely affected.**

We experienced fluctuations in our trade and other payables and turnover days during the Track Record Period. As of December 31, 2021, 2022 and 2023, our trade and other payables, amounted to RMB1,231.9 million, RMB1,049.3 million and RMB1,159.0 million, respectively, representing approximately 49.8%, 47.6% and 69.8% of our total current liabilities, respectively, as of the same date. We are generally granted a credit period of up to three months by our suppliers on purchases of goods. Our trade and bill payables turnover days amounted to 70.4 days, 80.6 days and 62.0 days in 2021, 2022 and 2023, respectively. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, as the credit terms granted by suppliers may be influenced by a number of factors that are beyond our control, such as the financial performance and position of our suppliers,

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the raw material prices and general economic conditions. In addition, there is no guarantee that we can maintain our amicable business relationship with our suppliers in the future. If our suppliers shorten the credit period granted to us, our liquidity condition may be materially and adversely affected.

### **We may not be successful in implementing our expansion strategies.**

We intend to promote our key brand strategy and expand online and offline sales channels, which could be time-consuming and may incur significant costs. We also intend to continue upgrading our self-operated websites to enhance product presence and brand reputation. See “Business — Our Strategies.” The successful expansion into new sales channels depends on multiple factors, including comprehensive market research, channel compatibility with our brand and product image, adequate resource allocation, technological capabilities for integration and adaptation, efficient supply chain management, building strong partnerships and relationships, regulatory compliance, awareness of the competitive landscape and effective risk management. We cannot assure you that our expansion strategies can be successfully implemented. Failure to implement our expansion strategies successfully could have a material adverse impact on our business, financial condition and results of operations.

In addition, we may invest in or acquire companies that may generate synergies with our existing capacities, such as potential suppliers and international logistics solutions providers, and we may also invest in or acquire furniture and home furnishing companies that have strong sales channel presences to further increase our market share and enhance brand equity. See “Business — Our Strategies.” The cost of identifying and completing investments and acquisitions can be high and there is no guarantee that we will be able to identify suitable candidates for acquisitions, become successful bidders, complete acquisitions on favorable terms, or have the funds to carry out the ideal acquisitions. These transactions may also incur significantly increase in our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, issue common stock that would dilute our current shareholders’ percentage ownership, or incur asset write-offs and restructuring costs and other related expenses. Acquisitions and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies. No assurance can be given that our acquisitions and other strategic investments will be successful and will not materially adversely affect our business, financial condition or results of operations.

### **Our sales and marketing activities may not be effective.**

Our sales and marketing activities are important to enhance our brand recognition and enlarge our consumer base. We use various approaches to promote our products, including (i) placing advertisements on third-party e-commerce platforms that we partner with; and (ii) utilizing other offsite online channels such as social media and search engine. See “Business — Marketing and Promotion.” Our marketing and advertising expenses amounted to RMB715.8 million, RMB488.1 million and RMB568.1 million in 2021, 2022 and 2023, respectively, representing 7.9%, 6.9% and 6.5%, respectively, of our total revenue for the same years. Our sales and marketing activities may become increasingly costly, and may not yield economically meaningful results. We cannot assure you that our efforts in sales and marketing activities will always be effective, or that if we are able to cost-effectively manage our marketing and advertising expenses. Any of the foregoing risks could materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**Any negative publicity relating to us, our brands, our management, our business partners or the industry in which we operate could materially and adversely affect our business, financial condition and results of operations.**

Any negative publicity involving us, our brands, our management, our business partners or the industry in which we operate, whether meritless or not, could materially and adversely harm our reputation and perception of our businesses. We may from time to time be subject to such negative publicity, and we may not be able to effectively defuse such negative publicity and may be required to initiate or engage in defensive media campaigns and legal actions that could increase our marketing or legal expenses and divert our management’s attention, further materially and adversely affecting our business, financial condition and results of operations.

**Our business depends on the continuing efforts of our key personnel performing vital functions. If we are not able to attract or retain qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.**

Our business operations depend on the continuing efforts of our management, particularly the members of our senior management team. See “Directors, Supervisors and Senior Management.” If one or more members of our management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our management may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, and our business, financial condition and results of operations may be materially and adversely affected.

**Any failure to obtain and maintain the approvals, licenses and permits required for our operations may materially and adversely affect our business, financial condition and results of operations.**

Our business requires us to obtain and renew, from time to time, a multitude of approvals, licenses and permits. See “Regulatory Overview.” If we fail to obtain, maintain or renew any necessary approval, license or permit for our operations in a timely manner or at all, or if the scope of our operations exceeds the scope permitted under the applicable approvals, licenses and permits, we may be subject to fines, penalties or suspension of operations or even revocation of operating licenses, and our business, financial condition and results of operations may be materially and adversely affected.

**Our historical results of operations may not be indicative of our future performance.**

We had net loss of RMB589.9 million in 2021, and we had net profit of RMB223.2 million and RMB520.1 million in 2022 and 2023, respectively. See “Financial Information — Description of Major Components of Our Results of Operations.” Our future growth and profitability are affected by a number of factors, such as our ability to develop new products, our ability to successfully implement our business development strategies in a cost-effective manner and our ability to effectively manage our costs and expenses and continuously improve operational efficiency. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in deriving revenue or achieving profitability. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and have accumulated losses in the future and may not be able to achieve or subsequently maintain profitability.

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## RISK FACTORS

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**We may from time to time become a party to litigation, other legal and contractual disputes, claims and administrative proceedings that may materially and adversely affect our business and reputation.**

We may from time to time be subject to various litigation, legal or contractual disputes, claims or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our suppliers, customers, consumers, business partners and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products, which may further materially and adversely affect our business.

**We may be subject to additional contributions of social insurance premium and housing provident funds, and late payments and fines imposed by relevant governmental authorities.**

According to relevant PRC laws and regulations, we are required to make social insurance premium payments and contributions to housing provident funds for our employees. We failed to make full contributions to the social insurance and housing provident funds in the full amount for certain employees. As advised by our PRC Legal Advisor, as for social insurance, the relevant PRC authorities could order us to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. In case we are overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order us to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement. As of the Latest Practicable Date, we had not received any material complaint from our employees. As advised by our PRC Legal Advisor, based on their interview with the competent authority, assuming that there is no material change to current PRC laws and regulations and the practice in policy implementation and inspection of local governments, the likelihood that we will be subject to make additional contributions, overdue payments or be fined in relation to the aforementioned fact is remote.

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## RISK FACTORS

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### **Failure to comply with laws and regulations regarding certain of our owned or leased properties may adversely affect our business, financial condition and results of operations.**

We have owned and leased properties in connection with our business operations. Certain properties we owned or leased have title, inconsistent usage or other defects. As a result, there can be no assurance that we will not be subject to any punishment, challenges, lawsuits or other actions taken against us with respect to these properties.

As of the Latest Practicable Date, (i) one of our owned properties with a GFA of approximately 26,038 sq.m. was mainly used as warehousing facilities and partially used as offices and other supporting facilities, the usage of which was inconsistent with the permitted usage registered on the real estate ownership certificate for warehousing only. As advised by our PRC Legal Advisor, the competent authorities may impose fines on us or require us to rectify. If the relevant authorities require us to rectify and we fail to do so within the prescribed time period, we may face the risks of ceasing the use of offices and other supporting facilities on the relevant property and relocate, which will result in additional cost and distraction of our management's attention. Our PRC Legal Advisor has interviewed the competent authority, and received the verbal confirmation that the relevant property could be used as warehousing facilities and partially used as offices and other supporting facilities and will not impose any penalty on us. As advised by our PRC Legal Advisor, based on their interview with the competent authority, the risks of us being fined by the relevant competent authorities or not able to continue the usage of the property is relatively low; and (ii) we have not started construction for one of our owned properties with a land area of approximately 6,244 sq.m. in accordance with the relevant land use right grant contract. As advised by our PRC Legal Advisor, the competent authority may warn or impose fines on us if the commencement of development exceeds the agreed start date but no more than one year, may request us to pay land idle expenses if the commencement of development exceeds one year beyond the agreed start date, and may reclaim the land use rights without compensation to us if commencement of development exceeds two years. We plan to commence development in the second half of 2024, which is within one year beyond the agreed start date. As advised by our PRC Legal Advisor, based on their interview with the competent authority and the fact that we could commence development in the second half of 2024, the risks of us being fined by competent authority or the competent authority reclaiming the land use rights is low.

Furthermore, certain of our leased properties for office and warehousing use have title defects due to various reasons. For example, the usage of some of our leased properties was inconsistent with the permitted usage registered on the real estate ownership certificates, and some lessors have not provided us with evidence of proper legal title to the leased properties. In each inconsistent usage case, we may be subject to a fine ranging from RMB100 to RMB500 per sq.m., and in each title defects case, we may face challenges by third parties or relevant authorities, such that our leases may be deemed invalid or unenforceable and we may be forced to vacate from these leased properties and incur additional costs. Furthermore, as of the Latest Practicable Date, we did not complete registration procedures with respect to some leases. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties; however, if we or the lessors fail to register such lease agreements for our leased buildings as required, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement.

Our business, financial condition and results of operations could be negatively affected if we are imposed any fines which are not indemnified by the Single Largest Shareholders Group or incur extra cost for relocation due to the above matters.

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**Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the countries and regions where we operate.**

Under the laws and regulations in China and Hong Kong, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, we carried out our operations mainly in Mainland China, Hong Kong, U.S. and Germany. See "Regulatory Overview" and "Business — Intra-group Transactions." We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-group transactions of us do not represent arm's length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

**If we fail to maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.**

Our success depends on our ability to effectively utilize our standardized management systems, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control systems may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

**Our insurance coverage may be insufficient to cover all of our potential losses.**

We maintain insurance coverage over our daily operations. We cannot assure you that our insurances will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

**Force majeure events, natural disasters, public health incidents, acts of war, terrorism or other factors beyond our control may materially and adversely affect our business, financial condition and results of operations.**

Force majeure events, natural disasters, public health incidents, acts of war, terrorism or other factors beyond our control could adversely affect the economies, infrastructure and lives of people in the regions in which we operate. Our operations may be subject to the threat of floods, earthquakes, dust storms, snowstorms, fires or droughts, power, water or fuel shortages, malfunctions, breakdowns and failures of information management systems, unexpected maintenance or technical problems, or be vulnerable to potential war or terrorist attacks. Severe natural disasters could result in loss of life, injury, destruction of assets and disruption

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of our business and operations. Acts of war or terrorism could also injure our employees, cause loss of life, disrupt our business operations and impair our markets. Any of these factors, as well as other factors beyond our control, could materially and adversely affect the overall business sentiment and environment, lead to uncertainty in the regions in which we operate, cause our business to suffer losses that we cannot predict and have a material and adverse effect on our business, financial condition and results of operations.

### **Our information technology systems may experience system failures, interruptions or security breaches.**

Our business operations rely on our information technology systems for various functions. These systems are critical for maintaining operational efficiency, data accuracy and timely decision-making. However, our information technology systems are subject to various risks, including system failures, data inaccuracies, cyber-attacks, data breaches and other security incidents. Any such event could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities and reputational damage. Furthermore, our information technology systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades require significant investment and may cause system disruptions or compatibility issues.

### **RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES AND REGIONS WHERE WE OPERATE**

#### **Our offshore subsidiaries may be deemed to be a PRC tax resident enterprise.**

Under The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) key properties, accounting books, company seal and minutes of board meetings and shareholders’ meetings are located or kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. The State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

Although most of our offshore subsidiaries have substantive business operations in the countries or regions where they located, as our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on their global income, except that the dividends they receive from our PRC subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes “dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise.” Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a “PRC resident enterprise” for such purposes. The EIT on our subsidiaries’ global income could significantly increase our tax burden and affect our cash flows and profitability.



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### **Any downturn in regional or global economy and inflation could affect our business, results of operations and financial condition.**

The growth of the regional and global economy has slowed in recent years. It remains uncertain whether, and for how long, the regional and global economic downturn will persist. There are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have been concerns over the Russia-Ukraine war, as well as unrest and terrorist threats in certain countries and regions, which have resulted in volatility in oil and other markets. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected overall economic growth rate.

It is unclear that whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic downturn or slowdown or negative business sentiment could have an indirect potential impact on our industry. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs. As a result, our business operations and financial performance may be adversely affected.

### **Changes in the economic, political and social conditions as well as government policies in the countries and regions where we operate could adversely affect our business and prospects.**

A substantial part of our assets and operations are located in China. In addition, we operate our business in a number of other geographic markets including the ones in the U.S. and Europe. Accordingly, our business, financial condition and results of operations could also be influenced by political, economic and social conditions in these markets. Economic growth in each of our geographic markets has been uneven, both geographically and among various sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations and affect our results of operations.

### **The development of the legal systems of certain countries or region where we operate can have an impact on our business.**

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes, and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

We are subject to variation embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign

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awards or arbitration awards. These elements may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats may attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal rules, some of which are not published on a timely basis or at all. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of the logistics industry and affect our business, financial condition and results of operations.

### **Holders of our H Shares may be subject to PRC income tax obligations.**

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor's jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have an establishment or place of business in China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉

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讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

If the PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

**Our operations are subject to, and may be affected by the tax laws and regulations in the countries and regions where we operate, including the U.S. and Europe. Changes in tax laws and regulations in the countries and regions where we operate such as increase in applicable tax rates may materially and negatively affect our profitability level and business performance.**

The PRC EIT Law imposes a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. See “Financial Information — Description of Major Components of Our Results of Operations — Income Tax Credit/(Expense).” To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC government may amend or restate regulations on income, withholding, value-added and other taxes. Non-compliance with the PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to PRC tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. See “Financial Information — Description of Major Components of Our Results of Operations — Income Tax Credit/(Expense).” Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax and tariffs and import or export duties, are complex, our

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international operations may expose us to risks associated with the overseas tax policy changes. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our financial condition and results of operations.

**Our foreign exchange transactions, our ability to pay dividends and other obligations are subject to regulatory requirement over foreign currency conversion.**

Conversion and remittance of foreign currencies are subject to certain foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we would have sufficient foreign exchange to meet our foreign exchange needs. For example, under the PRC current foreign exchange regulation system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (the "SAFE"); however, we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or their local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be affected. Moreover, non-compliance with any applicable foreign exchange regulations could subject us to administrative penalties and fines, and could affect our business and reputation.

**You may have limited recourse in effecting service of legal process, seeking recognition or enforcement of foreign judgments against us, our Directors, Supervisors and our senior management.**

A substantial part of our assets, and majority of our Directors, Supervisors and senior management, are located in China. As a result, it may not be possible for investors to effect service of process upon us, or our Directors, Supervisors or senior management who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a

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mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the PRC court and Hong Kong court. The 2006 Arrangement was superseded upon the effectiveness of the 2019 Arrangement on January 29, 2024.

**We may be subject to additional regulatory requirements relating to new laws and regulations on overseas [REDACTED] issued by PRC government authorities.**

On February 17, 2023, the CSRC issued the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which had become effective on March 31, 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Regulations stipulate that such issuer shall fulfill the filing procedures within three working days after it makes an application for offering and listing in an overseas stock market. The Overseas Listing Regulations stipulate the legal consequences for breaches, including failure to fulfill filing obligations or engaging in fraudulent filing behavior, which may result in a fine ranging from RMB1 million to RMB10 million, and in cases of severe violations, the relevant responsible persons may also be barred from entering the securities market. According to the Overseas Listing Regulations, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities and report relevant information. For details, see “Regulatory Overview — Laws and Regulations Related to Our Business in the PRC — Regulations on Securities and Overseas Listing.” The Overseas Listing Regulations may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get clearance of our filing procedures under the Overseas Listing Regulations on a timely basis, or at all. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our ability to continue to offer our securities to investors, cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for our H Shares, and the liquidity and [REDACTED] of our H Shares may be volatile.**

There was no public market for our H Shares prior to the [REDACTED]. There can be no guarantee that a public market for our H Shares with adequate liquidity and [REDACTED] will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our Shares is the result of negotiations between our Group and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] of our H Shares following the completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after the completion of the [REDACTED].

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## RISK FACTORS

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**You will incur immediate and substantial dilution and may experience further dilution in the future.**

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future equity incentive plan, which would further dilute our Shareholders' interests in our Company.

**Future sales or perceived sales of substantial amount of our Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing [REDACTED] of our Shares.**

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. A certain amount of the Shares controlled by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares.

In addition, our [REDACTED] shares may be converted into H shares subject to regulatory approvals and compliance with relevant regulatory requirements. Any conversion of our [REDACTED] shares will increase the number of H shares available on the market and may affect the [REDACTED] of our Shares.

**We have significant discretion as to the use of [REDACTED] from the [REDACTED], and you may not necessarily agree with how we use them.**

Our management may utilize the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net [REDACTED] from the [REDACTED] for, among other things, business expansion, digitalization enhancement, potential investment or mergers and acquisitions opportunities and working capital and general corporate uses. See "Future Plans and [REDACTED]." However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

**We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our H Shares for a return on your investment.**

We cannot assure you when and in what form dividends will be paid on our H Shares after the [REDACTED]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders

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## RISK FACTORS

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is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our H Shares in the future. See "Financial Information — Dividend."

If we retain most, or all, of our available funds and any future earnings after the [REDACTED] to fund the development and commercialization of our new product candidates, we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an investment in our H Shares as a source for any future dividend income.

Even if our Board decides to declare and pay dividends, the timing, number and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our H Shares will likely depend entirely upon any future price appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our H Shares and you may even lose your entire investment in our H Shares.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry report, contained in this Document.**

This Document, particularly the section headed "Industry Overview," contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. Neither we, the Sole Sponsor, the [REDACTED] nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from official government sources. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

**Market price and [REDACTED] may decline if securities or industry analysts do not publish research or reports about our business, or if any adverse recommendations are published.**

The [REDACTED] for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the [REDACTED]

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## RISK FACTORS

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for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [REDACTED] of our H Shares to decline.

**Our future financing may cause dilution of your shareholding or impose restrictions on our operations.**

In order to raise capital and expand our business, we may consider [REDACTED] and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the equity interest of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our business operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows or limit our flexibility in business development and strategic plans.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media in making investment decisions with respect to our H Shares.**

Prior to the publication of this document, there may have been press and media coverage regarding us and the [REDACTED], which may include certain information not contained in this document. We have not authorized the disclosure of any such information in the press or other media. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. Accordingly, [REDACTED] are cautioned to make their investment decisions with respect to our H Shares on the basis of the information contained in this document only and should not rely on any other information. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

**Forward-looking statements contained in this document are subject to risks and uncertainties.**

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.



## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarter is based and the majority of the business operations of our Group are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. We have appointed Ms. Zhuang Liyan (莊麗豔) ("**Ms. Zhuang**") and Mr. Li Kin Wai (李健威) ("**Mr. Li**") as our authorized representatives ("**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
2. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes of the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address (as applicable)) of all Directors to facilitate communication with the Hong Kong Stock Exchange;
3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

4. We have appointed Red Solar Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor, who will provide us with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors, Supervisors and our senior management; and
5. We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as our Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company.

### **WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Zhuang, our executive Director, board secretary and vice chief executive officer as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Li, a member

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

of a chartered secretary and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Zhuang for an initial period of three years from the [REDACTED] to enable Ms. Zhuang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Zhuang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Zhuang may be appointed as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, the waiver will be for a fixed period of time (“**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 (“**Qualified Person**”) and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Mr. Li will work closely with Ms. Zhuang to jointly discharge the duties and responsibilities as a company secretary and assist Ms. Zhuang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Li will also assist Ms. Zhuang in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Mr. Li is expected to work closely with Ms. Zhuang and will maintain regular contact with Ms. Zhuang, the other Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Li ceases to provide assistance to Ms. Zhuang as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Zhuang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Ms. Zhuang will also be assisted by (a) the Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Ms. Zhuang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Zhuang, having benefited from the assistance of Mr. Li for the preceding three years, have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary under Rule 3.28 so that a further waiver will not be necessary.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
Mr. Lu Haizhuan (陸海傳先生)	Room 3C, Building 1-7-A Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC	Chinese
Mr. Ze Kuaiyue (迓會越先生)	Room 3D, Building 6-B Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC	Chinese
Ms. Zhuang Liyan (莊麗豔女士)	Room 27C, Building 8 Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC	Chinese
<b>Non-Executive Directors</b>		
Ms. Zou Jiajia (鄒家佳女士)	No. 7 Hepingli Middle Street Dongcheng District Beijing PRC	Chinese
Mr. Jin Hao (金豪先生)	Room 1403 No. 5, Mingmen Riverside Garden Lane 200, Boshan Road Pudong New District Shanghai PRC	Chinese
Mr. Lu Songdu (陸頌督先生)	Room 3B, Building 1-7-A Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC	Chinese



**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Independent Non-Executive Directors</b>		
Ms. Meng Rongfang (孟榮芳女士)	Room 601 No. 2, West Alley Jinjia Lane, Jing'an District Shanghai PRC	Chinese
Mr. Xu Jinke (徐勁科先生)	Room 702 No. 27, Lane 333 Fangdian Road Pudong New District Shanghai PRC	Chinese
Mr. Chen Xiaohuan (陳曉歡先生)	Flat B, 22/F 26 Kimberley Road Tsim Sha Tsui, Kowloon Hong Kong	Singapore

**SUPERVISORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Ms. Zhang Li (張麗女士)	Room 301, Building 2-E Ronghu Century Garden Pingxin Avenue Longgang District Shenzhen, Guangdong Province PRC	Chinese
Ms. Hua Xiang (滑翔女士)	Room 5B, Building 6 Excellent Victoria Harbor North District Nanshan District Shenzhen, Guangdong Province PRC	Chinese
Ms. Liu Meixia (劉美霞女士)	Room 1008, Building 4 Shengshi Garden Ronghu Central City Pinghu Street Longgang District Shenzhen, Guangdong Province PRC	Chinese

For further details on our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management."

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

**Huatai Financial Holdings (Hong Kong)  
Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

[REDACTED]

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Auditor and Reporting Accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Legal Advisors to the Company**

*As to Hong Kong and U.S. laws:*

**Clifford Chance**  
27th Floor  
Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC laws:*

**King & Wood Mallesons**  
28th Floor  
China Resources Tower  
2666 Keyuan South Road  
Nanshan District  
Shenzhen, Guangdong Province  
PRC

*As to U.S. laws (advising on general legal compliance matters):*

**Nixon Peabody LLP**  
32nd Floor  
One Embarcadero Center  
San Francisco CA 94111  
United States

*As to German laws (advising on general legal compliance matters):*

**Luther Rechtsanwaltsgesellschaft mbH**  
Anna-Schneider-Steig 22  
50678 Cologne  
Germany

*As to French laws (advising on general legal compliance matters):*

**FIDAL**  
Tour Prisma  
4-6, avenue d'Alsace  
92982 PARIS La Défense Cedex  
France

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to Italian laws (advising on general legal compliance matters):*

**Pirola Pennuto Zei & Associati**  
Via Vittor Pisani, 20  
Milan  
Italy

*As to U.K. laws (advising on general legal compliance matters):*

**Cruickshanks**  
10 Bentinck Street  
London W1U 2EW  
U.K.

**Legal advisors to the Sole Sponsor and the [REDACTED]**

*As to Hong Kong and U.S. laws:*

**Herbert Smith Freehills**  
23rd Floor  
Gloucester Tower  
15 Queen's Road  
Central  
Hong Kong

*As to PRC law:*

**Jingtian & Gongcheng**  
34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Beijing  
PRC

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**  
Suite 2504  
Wheelock Square  
1717 Nanjing West Road  
Shanghai 200040  
PRC

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Room 106, Kangli Information Valley Building No. 66 Pingji Avenue, Lilang Community Nanwan Street Longgang District Shenzhen, Guangdong Province PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	Room 106, Kangli Information Valley Building No. 66 Pingji Avenue, Lilang Community Nanwan Street Longgang District Shenzhen, Guangdong Province PRC
<b>Principal Place of Business in Hong Kong</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Company's Website</b>	<b><u><a href="http://www.aukeys.com">www.aukeys.com</a></u></b> <i>(The information contained in this website does not form part of this Document)</i>
<b>Joint Company Secretaries</b>	<b>Ms. Zhuang Liyan (莊麗豔女士)</b> Room 27C, Building 8 Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC  <b>Mr. Li Kin Wai (李健威先生) (ACG, HKACG)</b> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Authorized Representatives</b>	<b>Ms. Zhuang Liyan (莊麗豔女士)</b> Room 27C, Building 8 Xijingcheng Haoyuan No. 100 Fu'an Street Longgang District Shenzhen, Guangdong Province PRC  <b>Mr. Li Kin Wai (李健威先生) (ACG, HKACG)</b> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Ms. Meng Rongfang (孟榮芳女士) ( <i>Chairperson</i> ) Mr. Xu Jinke (徐勁科先生) Mr. Chen Xiaohuan (陳曉歡先生)
<b>Remuneration and Assessment Committee</b>	Mr. Xu Jinke (徐勁科先生) ( <i>Chairperson</i> ) Ms. Meng Rongfang (孟榮芳女士) Mr. Ze Kuaiyue (迺會越先生)
<b>Nomination Committee</b>	Mr. Xu Jinke (徐勁科先生) ( <i>Chairperson</i> ) Mr. Lu Haizhuan (陸海傳先生) Mr. Chen Xiaohuan (陳曉歡先生)
<b>Strategy Committee</b>	Mr. Lu Haizhuan (陸海傳先生) ( <i>Chairperson</i> ) Mr. Ze Kuaiyue (迺會越先生) Ms. Zhuang Liyan (莊麗豔女士)
<b>Compliance Advisor</b>	<b>Red Solar Capital Limited</b> Unit 402B, 4/F China Insurance Group Building No. 141 Des Voeux Road Central Central Hong Kong

[REDACTED]

<b>Principal Bank</b>	<b>Shanghai Pudong Development Bank</b> Shenzhen Longgang Branch 1F of Ziweiyuan Club No. 7097 Longxiang Avenue Longgang District Shenzhen, Guangdong Province PRC
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## INDUSTRY OVERVIEW

*Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official government sources has not been independently verified by our Company, the Sole Sponsor, [REDACTED], or any other persons or parties involved in the [REDACTED], and no representation is given as to the accuracy. For discussions of risks relating to our industry, please see "Risk Factors — Risks Relating to Our Business and Industry."*

### GLOBAL B2C E-COMMERCE MARKET

#### Overview

E-commerce, as one of the trade activities, digitalizes the whole process of trade, breaking the time and space constraints in conventional offline trade and connecting sellers and consumers around the world.

E-commerce can be mainly divided by business model into (i) B2B e-commerce and (ii) B2C e-commerce. B2C e-commerce refers to a transaction activity in which individual consumers visit business sellers' websites or online third-party platforms, select goods, process payments and receive goods from sellers via logistics. Typically, this transaction involves a wide variety of industry participants, primarily including sellers, third-party platforms, self-operated websites, third-party payment service providers, logistics solutions providers and individual consumers.

In particular, third-party platforms refer to marketplaces such as Alibaba, Amazon, eBay and Wish, which provide platforms on which sellers sell their products. Self-operated websites refer to platforms that sell their products to consumers through their own websites or mobile apps.

#### Value Chain Analysis

The value chain of B2C e-commerce consists of (i) upstream suppliers and producers such as OEM suppliers; (ii) midstream B2C e-commerce sellers, B2C e-commerce platforms and B2C e-commerce service providers, which are the core of the entire value chain; and (iii) downstream individual consumers. B2C e-commerce sellers include brand operators, retailers, distributors and traders. B2C e-commerce service providers include logistics solutions providers, payment services providers and other services providers such as export declaration service providers and IT services providers, offering services in all aspects of e-commerce transactions. Sellers sell products to individual consumers through B2C e-commerce platforms, and B2C e-commerce service providers offer services to assist with fulfillment.

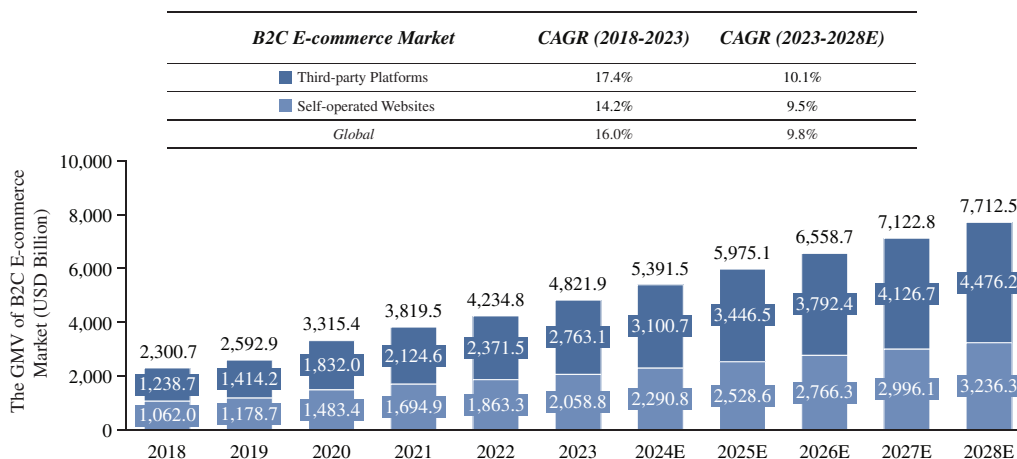
#### Market Size

In terms of GMV, the global B2C e-commerce market increased rapidly from USD2,300.7 billion in 2018 to USD4,821.9 billion in 2023, with a CAGR of 16.0%. After the outbreak of COVID-19, the demand for online shopping increased in various developed regions such as the U.S. and Europe, driving the growth of the global B2C e-commerce market, with the GMV of the global B2C e-commerce market increased by 27.9% from 2019 to 2020. The GMV of the global B2C e-commerce market is expected to reach USD7,712.5 billion in 2028, with a CAGR of 9.8% from 2023 to 2028.

## INDUSTRY OVERVIEW

The global B2C e-commerce market can further be divided into (i) the global B2C e-commerce market by third-party platforms and (ii) self-operated websites. Compared with self-operated websites, third-party platforms take the advantage of the convenience of customer acquisition and warehouse management, succeeding in overseas markets and experienced promising growth. The GMV of the global B2C e-commerce market by third-party platforms grew from USD1,238.7 billion in 2018 to USD2,763.1 billion in 2023 at a CAGR of 17.4%, accounting for approximately 57.3% of the global B2C e-commerce market in 2023, and is expected to further reach USD4,476.2 billion in 2028, with a CAGR of 10.1% from 2023 to 2028.

**The GMV of B2C E-commerce Market (Global), 2018-2028E**

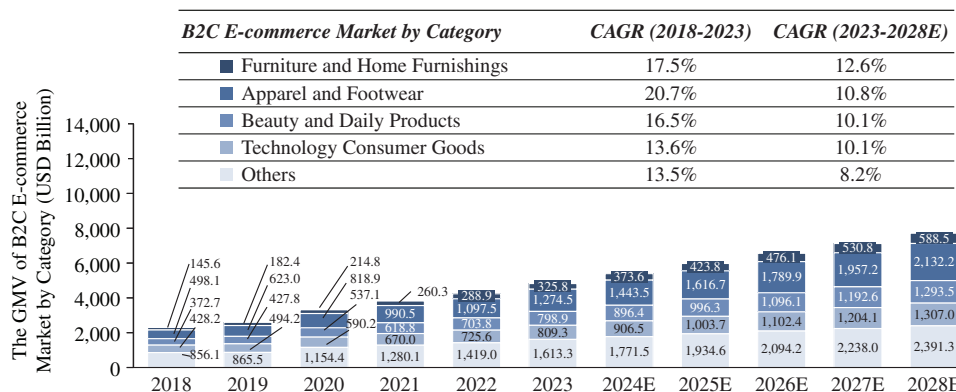


Note: The market size refers to the sum of GMV generated from all e-commerce platforms.

Source: International Trade Administration and Frost & Sullivan Analysis.

Furniture and home furnishings, apparel and footwear, beauty and daily products and technology consumer goods are the major categories of the global B2C e-commerce market, which accounted for 6.8%, 26.4%, 16.6% and 16.8%, respectively, in 2023. Due to the rise in disposable income in developed countries and the convenience of shopping online, furniture and home furnishings are expected to be the fastest growing category in the global B2C e-commerce market. The GMV of global B2C e-commerce for the furniture and home furnishings market is expected to reach USD588.5 billion in 2028, with a CAGR of 12.6% from 2023 to 2028.

**The GMV of B2C E-commerce Market by Category (Global), 2018-2028E**



Note: The market size refers to the sum of GMV generated from all e-commerce platforms.

Source: International Trade Administration and Frost & Sullivan Analysis.

### Competitive Landscape of Global B2C E-commerce Market

The global B2C e-commerce market is highly fragmented, with more than 50 million market participants. In 2023, the total GMV of the global B2C e-commerce market was approximately USD4,821.9 billion. In terms of GMV, our group accounted for approximately 0.02% of the total GMV of the global B2C e-commerce market in 2023.



## INDUSTRY OVERVIEW

### GLOBAL FURNITURE AND HOME FURNISHINGS B2C E-COMMERCE MARKET

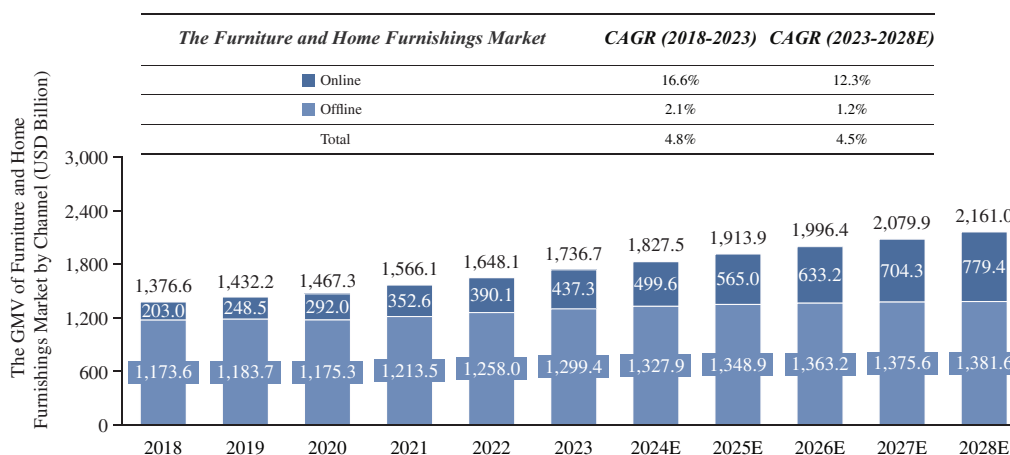
#### Overview

Products in the global furniture and home furnishings B2C e-commerce market are generally composed of two categories, namely furniture and home furnishings. Furniture commonly includes, among others, beds, bookcases, dressers, chests of drawers, vanity tables and vanity benches, food cabinets, sideboards, sofas and outdoor furniture. Home furnishings are used to decorate and furnish a home, including home textiles such as bedding sets, carpets and curtains, and home decorations such as photo frames, wall decor and vases. Furniture and home furnishings are commonly medium-to-large goods with high unit prices and transportation costs. Therefore, consumers are more cautious when choosing furniture and home furnishings online, which reduces the likelihood of returns. As a result, furniture and home furnishings typically have low return rates. Currently, the overall return rate of the global furniture and home furnishings B2C e-commerce market is approximately 5%.

#### Market Size

The GMV of the global furniture and home furnishings market grew from USD1,376.6 billion in 2018 to USD1,736.7 billion in 2023, with a CAGR of 4.8%. Compared with offline channels, the furniture and home furnishings market by online channels has experienced and is expected to continue experiencing higher growth with the development of e-commerce infrastructure such as warehousing, logistics solutions and payment systems. The GMV of the global furniture and home furnishings market by online channels increased from USD203.0 billion in 2018 to USD437.3 billion in 2023 with a CAGR of 16.6% from 2018 to 2023, and is expected to reach USD779.4 billion in 2028, with a CAGR of 12.3% from 2023 to 2028.

**The GMV of Furniture and Home Furnishings Market by Channel, 2018-2028E**



*Note:* The market size refers to the sum of GMV generated from all e-commerce platforms.

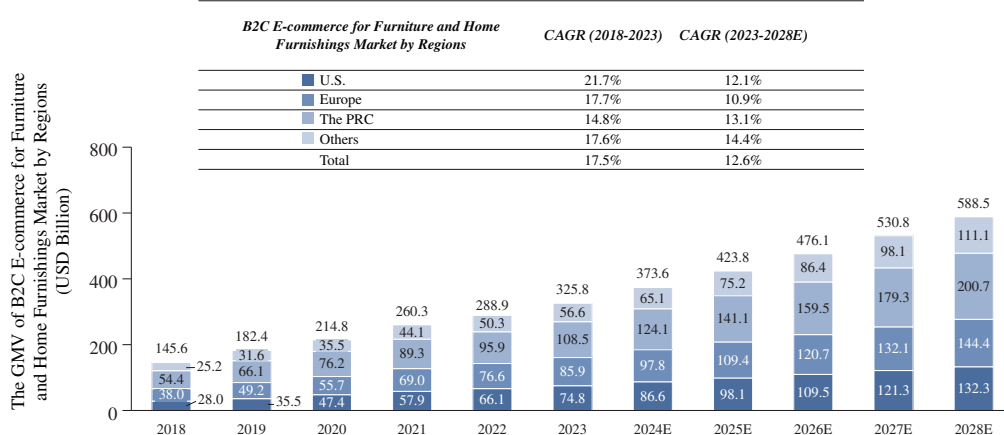
*Source:* CSIL and Frost & Sullivan Analysis.

The GMV of global B2C e-commerce for the furniture and home furnishings market increased from USD145.6 billion in 2018 to USD325.8 billion in 2023, with a CAGR of 17.5%. The U.S. and Europe were the main regions for the global B2C e-commerce market for furniture and home furnishings, which accounted for 23.0% and 26.4% of the market in 2023, respectively. The GMV of the B2C e-commerce market for furniture and home furnishings in the U.S. increased from USD28.0 billion in 2018 to USD74.8 billion in 2023, with a CAGR of 21.7%, while the Europe GMV increased from USD38.0 billion in 2018 to USD85.9 billion in 2023, with a CAGR of 17.7%.

In line with the increase of the furniture and home furnishings market by online channels, the GMV of global B2C e-commerce for furniture and home furnishings market is expected to reach USD588.5 billion in 2028, with a CAGR of 12.6% from 2023 to 2028.

## INDUSTRY OVERVIEW

### The GMV of B2C E-commerce for Furniture and Home Furnishings Market by Regions (Global), 2018-2028E



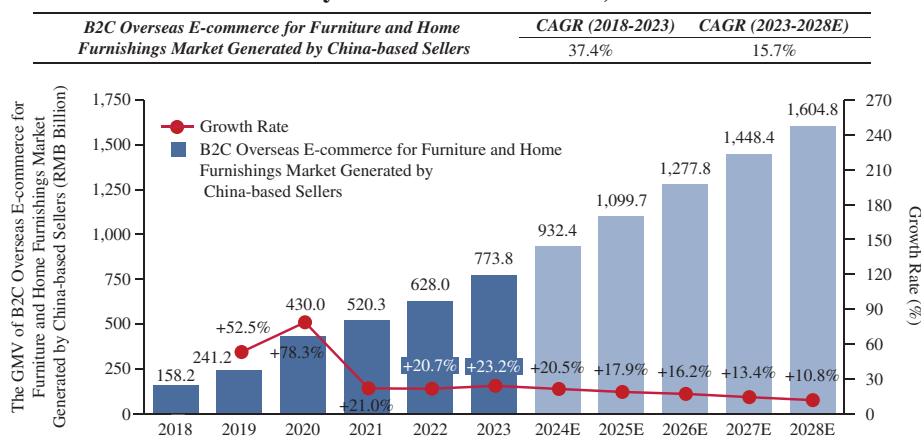
Note: The market size refers to the sum of GMV generated from all e-commerce platforms.

Source: CSIL, Bureau of Economic Analysis of the U.S., Eurostat, National Bureau of Statistics of China and Frost & Sullivan Analysis.

China-based sellers make up the world's largest exporter group of furniture and home furnishings. The U.S. and Europe are the largest markets for furniture and home furnishings overseas e-commerce for China-based sellers. The GMV of B2C overseas e-commerce for the furniture and home furnishings market generated by China-based sellers increased from RMB158.2 billion in 2018 to RMB773.8 billion in 2023, with a CAGR of 37.4%. In 2020, the outbreak of COVID-19 shifted consumer behaviors and accelerated the development of online shopping, with the GMV of B2C overseas e-commerce for the furniture and home furnishings market generated by China-based sellers increased by 78.3% from 2019 to 2020.

With a steady increase of demand for furniture and home furnishings, the GMV of B2C overseas e-commerce for furniture and home furnishings market generated by China-based sellers is expected to reach RMB1,604.8 billion in 2028, with a CAGR of 15.7% from 2023 to 2028.

### The GMV of B2C Overseas E-commerce for Furniture and Home Furnishings Market Generated by China-based Sellers, 2018-2028E



Note: The market size refers to the sum of GMV generated from all e-commerce platforms.

Source: China International Electronic Commerce Center and Frost & Sullivan Analysis.

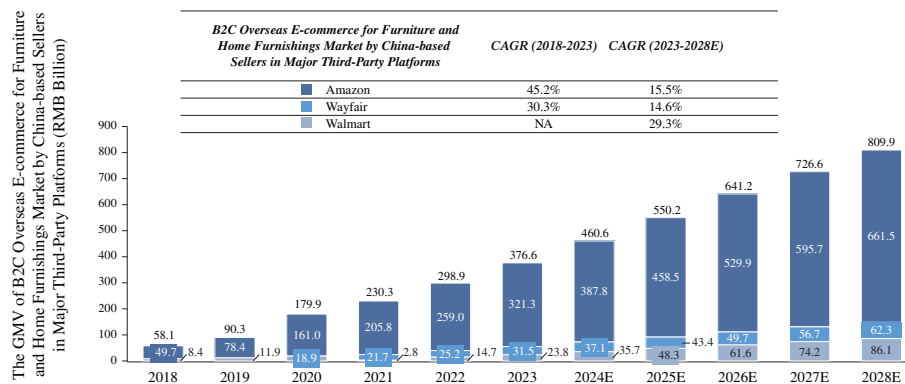
Amazon is one of the major third-party platforms of the B2C overseas e-commerce for furniture and home furnishings by China-based sellers. The GMV generated from China-based sellers in B2C overseas e-commerce for furniture and home furnishings on Amazon products increased from RMB49.7 billion in 2018 to RMB321.3 billion in 2023, with a CAGR of 45.2%. Accordingly, the GMV generated from China-based sellers on Amazon accounted for approximately 41.5% of B2C overseas e-commerce for furniture and home furnishings market by China-based sellers in 2023. The GMV from China-based sellers in B2C overseas e-commerce for furniture and home furnishings on Amazon is expected to reach RMB661.5 billion in 2028, with a CAGR of 15.5% from 2023 to 2028.

## INDUSTRY OVERVIEW

Moreover, Wayfair is favored by China-based sellers as one of the major e-commerce platforms for furniture and home furnishings. The GMV generated from China-based sellers in B2C overseas e-commerce for furniture and home furnishings products on Wayfair increased from RMB8.4 billion in 2018 to RMB31.5 billion in 2023, with a CAGR of 30.3%. The GMV generated from China-based sellers in B2C overseas e-commerce furniture and home furnishings on Wayfair is expected to reach RMB62.3 billion in 2028, with a CAGR of 14.6% from 2023 to 2028.

In addition, the China-based sellers were granted access to Walmart in March 2021. At Walmart, the GMV generated from China-based sellers in B2C overseas furniture and home furnishings e-commerce reached RMB23.8 billion in 2023.

### The GMV of B2C Overseas E-commerce for Furniture and Home Furnishings Market by China-based Sellers in Major Third-Party Platforms, 2018-2028E



Note: The market size refers to the sum of GMV generated from all China-based sellers of the relevant e-commerce platforms.

Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports and documents of other market participants).

### Market Drivers

**Rise in the Demand for Cost-effective Furniture and Home Furnishings:** With the increase of global per capita income, consumers start to explore new designs in furniture and home furnishings, leading to an increased frequency of replacing such items. Consumers in China usually consider furniture and home furnishings as durable goods, while consumers in Europe and the U.S. tend to consider furniture and home furnishings to have characteristics typical of fast-moving consumer goods. Therefore, consumers in Europe and the U.S. tend to replace furniture and home furnishing items more frequently, therefore preferring products with lower prices and higher quality. This trend propels the demand for cost-effective furniture and home furnishings, consequently expanding the global furniture and home furnishings B2C e-commerce market.

**Rapid Growth of Sales Through Online Channels for Furniture and Home Furnishings Market:** With the rapid development of the digital economy and the change of consumers' consumption habits, online channels have become the main growth drive of the global furniture and home furnishings market. The GMV of the online channel of the global furniture and home furnishings market increased from USD203.0 billion in 2018 to USD437.3 billion in 2023, with a CAGR of 16.6%. Specifically, the online penetration rate of the global furniture and home furnishings market reached 25.2% in 2023. It is expected that the online penetration rate of the global furniture and home furnishings market will maintain a stable growth and reach about 36.1% by 2028, with a CAGR of 7.5% from 2023 to 2028. Therefore, benefiting from the rapid development of online sales channels, the global furniture and home furnishings B2C e-commerce market will expand further.

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## INDUSTRY OVERVIEW

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**Efficient and Mature Supply Chain Systems:** Furniture and home furnishings often exhibit large dimensions, irregular shapes and susceptibility to damage, necessitating a specialized supply chain systems to ensure product quality and transportation efficiency. Currently, the global supply chain systems have matured, and is capable of providing customized, efficient and secure solutions tailored to the characteristics of such products. The efficient and mature supply chain systems not only reduce the costs and risks for e-commerce but also enhance the online shopping experience and confidence of overseas consumers. With an efficient and mature supply chain, China-based sellers are continuously expanding their market share in the global furniture and home furnishings B2C e-commerce market. In terms of the GMV, the share of B2C overseas e-commerce for the furniture and home furnishings market by China-based sellers in the global furniture and home furnishings B2C e-commerce market has increased steadily, from 15.5% in 2018 to 33.9% in 2023.

### Future Opportunities and Challenges

**Competitive Prices and High-quality Products with Innovative and Unique Design:** With the emergence of a new generation of consumers, the global furniture and home furnishings market demand has undergone a transformation. Consumers now have multifaceted expectations concerning the quality, design and pricing of furniture and home products. In terms of quality and pricing, consumers increasingly seek to acquire high-quality products at lower prices. Additionally, consumers tend to favor innovative and unique design styles. Therefore, offering high-quality and cost-effective furniture and home furnishings with an innovative and unique design strikes a balance in meeting consumers' diverse demand and is poised to become a major development trend in the future.

**Digitalization and Automation:** Recently, digitalization and automation has created strong growth potential for the global furniture and home furnishings B2C e-commerce market. Furniture and home furnishings B2C e-commerce sellers use various types of digital applications such as WMS, TMS and MCOMS (multi-channel ordering management system) to simplify the supply chain and improve delivery efficiency. Meanwhile, as the furniture and home furnishings industry and its supply chain gradually adopt automated equipment, the cost of furniture and home furnishings and the cost of logistics reduces, which will boost the growth of the global furniture and home furnishings B2C e-commerce market.

**Environmental friendliness:** In recent years, there has been a heightening focus on environmental protection in Europe and the U.S. Meanwhile, consumers' awareness of environmental protection and sustainable development increases; therefore, environmentally friendly goods will become an important trend of the furniture and home furnishings B2C e-commerce market. Consumers are increasingly focusing on the environmental credentials of products, including the materials used, the manufacturing processes, and the sustainability of packaging. In the future, eco-friendliness and environmental sustainability are becoming the major trends in the growth of the furniture and home furnishings B2C e-commerce market.

**High Logistics and Warehousing Costs:** Furniture and home furnishings, typically characterized by their considerable size, substantial weight, and susceptibility to damage, incur relatively high costs and risks in global e-commerce logistics and warehousing. These factors can influence consumer purchasing decisions and overall satisfaction. Furniture and home furnishings B2C e-commerce sellers need to optimize logistics approaches and models, reduce the cost of logistics and warehousing and improve efficiency and safety.

### Competitive Landscape of Global Furniture and Home Furnishings B2C E-commerce Market

The global furniture and home furnishings B2C e-commerce market is rather fragmented, with more than 200,000 market participants. In terms of the GMV of the global furniture and home furnishings B2C e-commerce market in 2023, the top five furniture and home furnishings B2C e-commerce sellers accounted for approximately 5.1%. In terms of the GMV of the global furniture and home furnishings B2C e-commerce market in 2023, our Group ranked fifth among all global furniture and home furnishings B2C e-commerce market participants, with a market share of approximately 0.2%.

## INDUSTRY OVERVIEW

### Top Five Furniture and Home furnishings B2C E-commerce Sellers by GMV (Global), 2023

Ranking	Company	Market Share (%)
1	Company A	3.9%
2	Company B	0.4%
3	Company C	0.3%
4	Company D	0.3%
<b>5</b>	<b>Our Group</b>	<b>0.2%</b>
Top 5		5.1%

*Notes:*

- (1) Company A, founded in 1943, is a world-leading furniture and home furnishings retailer that designs and sells ready-to-assemble furniture and home furnishings. It is primarily known for its modernist furniture designs, its simple approach to interior design, and its immersive shopping concept.
- (2) Company B, founded in 1972 and headquartered in Japan, is a listed and leading furniture and home furnishings manufacturer and distributor. It mainly engages in the planning and sale of furniture and interior merchandise (home furnishings), interior decorative coordinating for newly built homes and sale of products developed and imported from overseas.
- (3) Company C, founded in 2007, is a professional furniture and home furnishings enterprise in the PRC that integrates product development, manufacturing, sales and after-sales into one body. The company focuses its business operation in the PRC.
- (4) Company D, founded in 2010, is a leading furniture and home furnishings enterprise in the PRC that integrates design, manufacturing and sales. The company focuses its business operation in the PRC.

Source: *Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players and Frost & Sullivan Analysis.*

### Competitive Landscape of B2C Overseas E-commerce for the Furniture and Home Furnishings Market by China-based Sellers

B2C overseas e-commerce for the furniture and home furnishings market by China-based sellers is rather fragmented, with more than 150,000 market participants. In terms of the GMV in 2023, the top five participants accounted for approximately 2.9% in the market. Our Group ranked first among all market participants in the market, with a market share of approximately 0.7%.

### Top Five China-based Sellers in the Market by GMV, 2023

Ranking	Company	Market Share (%)
<b>1</b>	<b>Our Group</b>	<b>0.7%</b>
2	Company E	0.6%
3	Company F	0.6%
4	Company G	0.6%
5	Company H	0.4%
Top 5		2.9%

*Notes:*

- (1) Company E, founded in 2010, is a listed PRC company and leading B2C overseas furniture and home furnishings e-commerce seller in China and has entered more than 60 countries and regions. It specializes in the categories of furniture, home furnishings and pet supplies.
- (2) Company F, founded in 1998, is a well-known B2C overseas furniture and home furnishings e-commerce seller in the Yangtze River Delta in China. Its products cover more than 20 categories such as furniture and home furnishings, mother and baby toys, home appliances, sports equipment, outdoor products, pet supplies, luggage and other products.
- (3) Company G, founded in 2003, is a leading B2C overseas furniture and home furnishings e-commerce seller in China that integrates product development, online retailing, overseas warehousing and marketing under one roof. Its products cover furniture and home furnishings, outdoor sports equipment, garden supplies, pet supplies and other categories.
- (4) Company H, founded in 2013, is a leading B2C overseas furniture and home furnishings e-commerce seller in China that mainly sells furniture and home furnishings, outdoor sports equipment, baby and children’s toys, pet supplies and other categories.

Source: *Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players and Frost & Sullivan Analysis.*

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## INDUSTRY OVERVIEW

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### Entry Barriers

**Online Operational Capability:** Online operational capability directly affects the core indicators such as brand image, customer satisfaction, market share and profitability of e-commerce sellers, and is the key factor in furniture and home furnishings B2C e-commerce sellers standing out against the fierce competition. Online operational capability involves the comprehensive ability to carry out product promotion, sales, service, management and other activities online, including market analysis, product positioning, channel selection, marketing strategy, logistics and distribution, after-sales services, data analysis, risk control and other aspects. For new entrants, their online operational capability is difficult to compete with the leading enterprises that have already established brand effect and customer loyalty.

**Supply Chain Management Capability:** Given that a significant portion of furniture and home furnishings consists of large items, many of these products have high safety requirements for packaging and transportation within the supply chain. Therefore, furniture and home furnishings B2C e-commerce sellers require a higher quality assurance level for their supply chain services. To ensure a sufficiently robust service guarantee throughout the furniture and home furnishings sales process, sellers need to invest substantial capital, time, and effort in constructing a convenient, traceable supply chain service system. Consequently, new entrants face challenges in establishing a comprehensive supply chain service system within a short timeframe.

**Product Development Capability:** The product development capability is the core competitive advantage for furniture and home furnishings B2C e-commerce sellers. As consumer demand becomes increasingly personalized and differentiated, original design and independent product development have become crucial driving forces for the development of furniture and home furnishings brands. Faced with an increasingly competitive market environment, product customization and differentiation are inevitable choices for furniture and home furnishings B2C e-commerce sellers. New entrants face challenges in acquiring leading product development capabilities within a short timeframe.

## GLOBAL TECHNOLOGY CONSUMER GOODS B2C E-COMMERCE MARKET

### Overview

Technology consumer products refer to electronic products used by consumers in life, work and entertainment. Technology consumer products are categorized into three main market segments: consumer electronics, home appliances and electric tools. Consumer electronics are electronic devices such as mobile phone chargers, charger cables, wireless earphones and speakers. Home appliances mainly include microwave ovens, juicers, rice cookers and others. Electric tools mainly include electric screwdrivers, electric sanders, circular saws and others.

### Market Size

The GMV of China-based sellers in B2C overseas e-commerce for the technology consumer goods market grew from RMB404.7 billion in 2018 to RMB986.2 billion in 2023, with a CAGR of 19.5%. Due to the outbreak of COVID-19, online shopping boosted B2C overseas e-commerce for the technology consumer goods market by China-based sellers, which increased by 32.9% in 2020.

By improving product performance, adding new features and optimizing user experience, the upgrade of technology consumer goods has driven the expansion of B2C overseas e-commerce for the technology consumer goods market by China-based sellers. With the rapid upgrade of technology consumer goods, the GMV of China-based sellers in B2C overseas e-commerce for the technology consumer goods market is expected to reach RMB1,797.8 billion in 2028, with a CAGR of 12.8% from 2023 to 2028. Among them, consumer electronics are expected to have the largest market share during 2023 to 2028, while electric tools are expected to be the fastest-growing products, with a CAGR of 13.3% from 2023 to 2028.

Amazon, eBay and Walmart are among the main third-party platforms for China-based sellers for technology consumer goods. The GMV generated from China-based sellers in B2C overseas e-commerce for technology consumer goods on Amazon grew from RMB174.3 billion in 2018 to RMB373.1 billion in 2023, with a CAGR of 16.4%. Accordingly, the GMV generated from China-based sellers on Amazon accounted for approximately 37.8% of B2C overseas e-commerce market for technology consumer goods market in 2023. However, due to the impact of the Amazon Incident, the growth rate of the GMV generated from China-based sellers in B2C overseas e-commerce has slowed down. The GMV generated from China-based sellers in B2C overseas e-commerce for technology consumer goods on Amazon is expected to reach RMB626.5 billion in 2028, with a CAGR of 10.9%.

In addition, the access for China-based sellers to Walmart was granted in March 2021. For Walmart, the GMV generated from China-based sellers in B2C overseas e-commerce for technology consumer goods reached RMB25.9 billion in 2023.

## INDUSTRY OVERVIEW

### Competitive Landscape of Global Technology Consumer Goods B2C E-commerce Market

In 2023, the total GMV of the global technology consumer goods B2C e-commerce market is approximately USD809.3 billion. The global technology consumer goods B2C e-commerce market is rather fragmented, with more than 500,000 market participants. In terms of GMV of the global technology consumer goods B2C e-commerce market in 2023, our group accounted for approximately 0.02% of the total GMV of the global technology consumer goods B2C e-commerce market.

#### AMAZON INCIDENT

As a measure of a product's popularity, Amazon uses a variety of criteria, including ratings and reviews. High ratings and reviews typically increase product exposure and attract consumers attention. Additionally, Amazon operates its official program, Amazon Vine, where selected customers receive products at no cost for trial and share their views. However, this program has limitations such as long project cycle and restriction to new products.

Due to the high demand for such services and the aforementioned limitations of the Amazon Vine program, it was not uncommon for online sellers on Amazon to also promote ratings and reviews via unofficial approaches ("**Unofficially Promoted Ratings or Reviews**"). Unofficially Promoted Ratings or Reviews primarily include (i) inviting influencers or engaging intermediaries to invite influencers to review the products, who usually get the product free of charge, and (ii) placing coupons in product packages as incentives to encourage ratings and reviews, such as for a warranty extension.

In 2021, the use of Unofficially Promoted Ratings or Reviews had drawn wide media attention, during which period the Federal Trade Commission also pressured Amazon to intervene into the matter of Unofficially Promoted Ratings or Reviews to ensure transparency in its rating and review mechanism for consumers. Since May 2021, Amazon has taken actions against online sellers that have engaged in such activities. In particular, Amazon has restricted sales activities of online sellers which it suspected of having engaged in Unofficially Promoted Ratings or Reviews by removing listings of relevant products to consumers, suspending operating accounts of relevant online sellers and freezing relevant online sellers' funds under their Seller Central account (the "**Amazon Incident**").

As the result, since November 2021, the use of Unofficially Promoted Ratings or Reviews has substantially diminished. After the Amazon Incident, sellers actively expanded and enhanced sales on other platforms and diversified their product portfolios, which helped them to reduce their platform risk and recover rapidly from the impact.

### CHINA'S B2C EXPORT E-COMMERCE LOGISTICS SOLUTIONS MARKET

#### Overview

B2C export e-commerce logistics solutions refer to the logistics provided during the entire process of B2C export e-commerce. There are two models adopted by B2C export e-commerce logistics solutions providers, namely (i) the direct shipping model and (ii) the pre-sale stocking model. The shipping method normally varies by the size of the goods. Small-sized goods enjoy more flexibility in the selection of shipping method. It is more common to adopt the pre-sale stocking model for medium-to-large goods, which are usually in abnormal sizes and shapes and are more fragile, requiring special care throughout the whole business processes, such as storage, delivery and after-sale services. E-commerce sellers focusing on medium-to-large goods tend to choose solutions providers with more industry expertise to handle medium-to-large goods and ensure the efficiency of the warehousing and outbound process. In addition, given the difficulty of shipping medium-to-large goods, the B2C export e-commerce logistics solutions providers are expected to cover the entire chain of services, including international freight forwarding services, warehousing and distribution, last-mile delivery, installation, after-sales services and reverse-bound shipping services. Consequently, B2C export e-commerce logistics solutions providers address prevalent challenges such as high transportation costs and long delivery time that are typically encountered by e-commerce sellers of medium-to-large goods. The pre-sale stocking model has greatly improved the service quality of medium-to-large goods e-commerce sellers and has gradually emerged as the preferred option among such e-commerce sellers.

#### Value Chain Analysis

Direct shipping refers to the international shipping process from sellers to individual consumers, which usually takes two to four weeks. After receiving orders from export e-commerce vendors, the B2C export e-commerce logistics solutions providers carry out corresponding business processes, which involve domestic collection and warehousing, customs clearance, cross-border transportation and delivering goods to end customers.

## INDUSTRY OVERVIEW

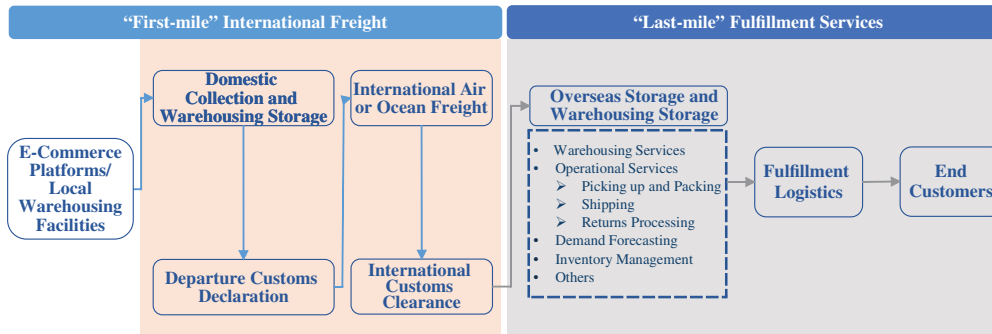
In contrast with the direct shipping model, under the pre-sale stocking model the B2C export e-commerce logistics solutions providers ship the goods from sellers to the overseas warehouses in advance as pre-sale stocks in the destination regions, then deliver the goods directly from the overseas warehouses upon the placing of orders by end consumer. The services can be divided into “first-mile” international freight and “last-mile” fulfillment services.

The “first-mile” international freight services refer to the transport services of goods from vendors to ports of entry of imports. The services of “first-mile” international freight generally include domestic collection services, domestic warehousing, customs clearance services and cross-border transport services. Under the pre-sale stocking model, export e-commerce logistics solutions providers integrate the whole supply chain by outsourcing the whole process to service providers who have ability to provide “first-mile” international freight services.

The “last-mile” fulfillment services involve delivery from overseas warehouses to end customers. For “last-mile” fulfillment services, the export e-commerce logistics solutions providers under the pre-sale stocking model offer warehousing services and other value-adding services, including operational services, assisting with demand forecasting and inventory management along with distribution services and after-sale services, and integrate the fulfillment logistics to deliver goods to end customers.

In general, the customers for B2C export e-commerce logistics solutions providers are e-commerce sellers and manufacturers, while the end-customers are the customers for e-commerce sellers and manufacturers.

### Process of B2C Export E-commerce Logistics Solutions Adopting the Pre-sale Stocking Model



Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports and documents of other market participants regarding their positions in the B2C export e-commerce logistics solutions market and their principal businesses).

### Market Size

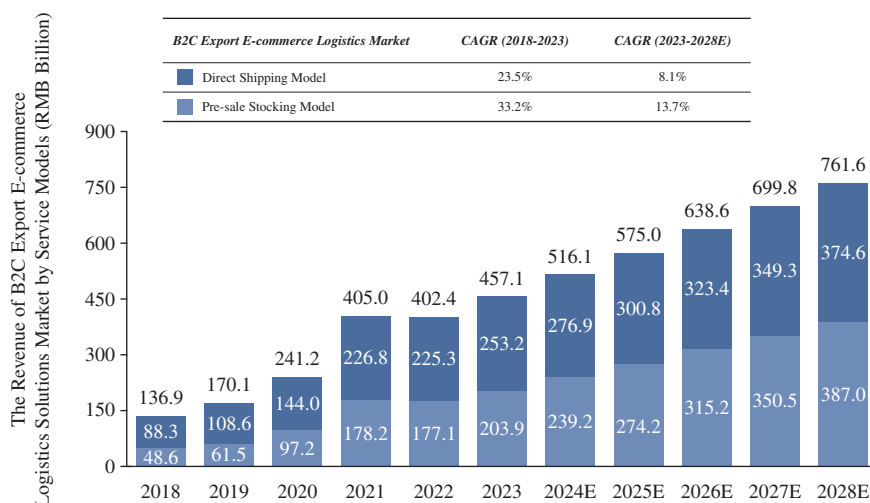
In recent years, the B2C export e-commerce logistics solutions adopting the pre-sale stocking model are becoming more popular, as it can provide individual consumers with faster and more predictable delivery time which could enhance their shopping experience.

Between 2019 and 2021, during the outbreak of COVID-19, not only did end-consumers increasingly embrace online shopping, but numerous e-commerce vendors also recognized the benefits of the pre-sale stocking model. Correspondingly, the revenue of B2C export e-commerce logistics solutions adopting the pre-sale stocking model witnessed a marked increase from 2019 to 2021. However, in 2022, with the COVID-19 receding, offline shopping has gradually resumed and the revenue generated from the B2C export e-commerce logistics solutions adopting the pre-sale stocking model slightly decreased. Furthermore, in 2023, given the development of e-commerce, the revenue of the B2C export e-commerce logistics solutions adopting the pre-sale stocking model reached RMB203.9 billion, and is expected to reach RMB387.0 billion in 2028, with a CAGR of 13.7% from 2023 to 2028.



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### The Revenue of B2C Export E-commerce Logistics Solutions Market by Service Models (The PRC), 2018-2028E



Source: Drewry, ICAO Air Transport Report, Freightos Baltic Index, Shanghai Containerized Freight Index and Frost & Sullivan Analysis.

### Future Opportunities and Challenges

**Integrated Logistics Solutions Platform:** The B2C export e-commerce logistics solutions market is complex and involves multiple parties, including end-to-end export e-commerce logistics solutions providers, international freight forwarding service providers, air or ocean carriers and last-mile fulfillment services providers. As a result, it is especially important for B2C export e-commerce logistics solutions providers to obtain and integrate the dispersed resources of the entire value chain to form an end-to-end one-stop B2C export e-commerce logistics platform in the future. The integrated platform can facilitate real-time data integration and sharing, thus reducing the time for each process, ensuring better supply chain timeliness, further gaining customer recognition, and ultimately achieving the goal of increasing revenue.

**Automation and Digitalization:** In recent years, automation and digitalization have created strong growth potential for the B2C export e-commerce logistics solutions market. Warehousing and logistics automation systems improve the operational efficiency through warehouse management, transport management and data analysis. In addition, B2C export e-commerce logistics solutions providers leverage various types of digital applications such as SaaS and IoT to simplify transaction processes, improve logistics efficiency and increase consumer stickiness. With the support of automation and digitalization tools, solutions providers in the market gradually reduce their operating costs, which could in turn increase their profit.

**Increasing Demand for Customized Services:** Due to the rapid development of the B2C export e-commerce logistics solutions market, the demand for export logistics solutions will become more customized. The overseas e-commerce China-based sellers not only require basic services but also make requests for customized services; for example, medium-to-large goods logistics has the pain points of high costs and long delivery time, so B2C e-commerce sellers expect logistics solutions providers to provide them with warehousing and logistics capabilities tailored for medium-to-large goods and provide cost-effective solutions for them. Therefore, with the diversifying types and size of goods, their demand for B2C export e-commerce logistics solutions will become customized in the future.

### Competitive Landscape of China’s B2C Export E-commerce Logistics Solutions Market

The B2C export e-commerce logistics solutions market in the PRC is rather fragmented, with more than 4,000 market participants, among which some adopt the direct shipping model and some adopt the pre-sale stocking model. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, the top five B2C export e-commerce logistics solutions providers in the PRC accounted for approximately 7.2%.

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In 2023, the revenue of Shenzhen Westernpost reached approximately RMB2.4 billion (before inter-group elimination), which adopts a pre-sale stocking model. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in the PRC, with a market share of approximately 1.2%. In addition, Shenzhen Westernpost ranked first among all B2C export e-commerce logistics solutions providers focusing on medium-to-large goods.

### Top Five B2C Export E-commerce Logistics Solutions Providers by Revenue Generated from the Pre-sale Stocking Model (The PRC), 2023

Ranking	Company	Market Share (%)
1	Company I	2.0%
2	Company J	1.6%
3	Company K	1.5%
4	<b>Shenzhen Westernpost</b>	<b>1.2%</b>
5	Company L	0.9%
Top 5		7.2%

*Notes:*

- (1) Company I, founded in 2015, is one of the leading export e-commerce logistics solutions providers in China, specializing in overseas storage and warehousing, “first-mile” international freight and last-mile delivery services. Its geographical coverage is mainly in the U.S., Europe and Australia.
- (2) Company J, founded in 2004, is a leading export e-commerce logistics solutions provider in China, focusing on overseas warehousing, FBA and special line logistics. Its geographical coverage is mainly in the U.S., Europe and Asia.
- (3) Company K, founded in 2012, is one of the leading export e-commerce logistics providers in China, providing overseas warehousing and special line logistics. Its geographical coverage is mainly in the U.S., UK, Australia and Germany.
- (4) Company L, founded in 2020, is a well-known export e-commerce logistics solutions provider in China, focusing on “first-mile” international freight and overseas warehousing. Its geographical coverage is mainly in the U.S., Canada and Germany.
- (5) All B2C export e-commerce logistics solutions providers in the list are third-party B2C export e-commerce logistics solutions providers.
- (6) The revenue of all B2C export e-commerce logistics solutions providers in the list includes inter-group transactions.

*Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players, Frost & Sullivan Analysis.*

## COST ANALYSIS

In the furniture and home furnishings B2C e-commerce market, raw materials and labor are essential for the cost management of the production process. Specifically, the main raw material for furniture is raw wood. In the past five years, the price of raw wood in China decreased from RMB3,302.6 per cubic meter in 2018 to RMB3,255.2 per cubic meter in 2023, with a CAGR of negative 0.3%, and is expected to slightly decrease to RMB3,136.5 per cubic meter representing a CAGR of negative 0.7% from 2023 to 2028. The global price of raw wood decreased from USD240.6 per cubic meter in 2018 to USD214.0 per cubic meter in 2023, representing a CAGR of negative 2.3%, and is expected to decrease to USD205.1 per cubic meter representing a CAGR of negative 0.8% from 2023 to 2028. Decreasing raw material

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costs have led to lower costs for sellers in the overseas e-commerce business. However, average wage of worker in manufacturing industry in the PRC increased from RMB4,106.3 per month in 2018 to RMB5,927.6 per month in 2023, with a CAGR of 7.6%. In addition, average wage of worker in manufacturing industry in the PRC are expected to reach RMB7,469.1 per month in 2028, with a CAGR of 4.7% from 2023 to 2028, which will result in increasing procurement costs for furniture and home furnishings B2C e-commerce sellers.

In B2C export e-commerce logistics solutions market, the freight rate of first-mile and the last-mile delivery fee are the main costs. The freight rate of seaborne transportation increased from USD1,357.8 per FEU in 2018 to USD2,489.1 per FEU in 2023, with a CAGR of 12.9%. The PRC freight rate of seaborne transportation is expected to reach USD3,171.3 per FEU in 2028, with a CAGR of 5.0% from 2023 to 2028. Moreover, a continuous increase in the average last-mile delivery fee globally has been witnessed in recent years, which results in a growing cost for B2C export e-commerce logistics solutions providers. For example, from 2018 to 2023, the average last-mile delivery fee in the U.S. increased from USD6.8 per parcel in 2018 to USD8.5 per parcel in 2023, with a CAGR of 4.6%. The average last-mile delivery fee in the U.S. is expected to reach USD10.9 per parcel in 2028, with a CAGR of 5.1% from 2023 to 2028.

### SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and prepare an industry report on, the markets we operate in with a commission fee of RMB800,000. Founded in 1961 in New York, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published official statistical sources including company reports, independent research reports and data based on Frost & Sullivan's in-house research database; and (ii) primary research, which involved in-depth interviews with the industry experts and competitors, and in-house analysis using appropriate models and indicators to arrive at an estimate.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) the global and China's economy is likely to maintain steady growth in the next decade; and (iii) related industry key drivers are likely to drive the market in the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict, or have an impact on such information.

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We are subject to a variety of laws, and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities around the world.

### LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

#### Regulations on Corporation

On December 29, 1993, the Standing Committee of the National People’s Congress of the PRC (the “SCNPC”) issued the PRC Company Law (《中華人民共和國公司法》) (the “Company Law”), which was last amended on October 26, 2018. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

On December 24, 2021, the SCNPC released the PRC Company Law (Revised Draft) (《中華人民共和國公司法(修訂草案)》) to solicit public opinions till January 22, 2022, on December 30, 2022, the SCNPC issued the PRC Company Law (Second Revised Draft) (《中華人民共和國公司法(修訂草案二次審議稿)》) to solicit public opinions for 30 days, and on September 1, 2023, the SCNPC issued the PRC Company Law (Second Revised Draft) (《中華人民共和國公司法(修訂草案三次審議稿)》) to solicit public opinions for 30 days. The revised PRC Company Law has been officially adopted on December 29, 2023, and will implement on July 1, 2024. The main amendments of the PRC Company Law (2023 Revision) involve improving the company’s establishment and exit system, optimizing the company’s organizational structure, perfecting the company’s capital system and strengthening the responsibilities of controlling shareholders and management personnel.

#### Policies on Cross-Border E-Commerce

Since 2013, the PRC government has promulgated multiple regulations or policies to encourage and support the development of cross-border e-commerce in China. These include the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Commerce and Other Departments on Implementing Relevant Policies to Support the Cross-Border E-Commerce Retail Export issued by the General Office of the State Council on August 21, 2013, the Guiding Opinions of the General Office of the State Council on Promoting the Sound and Rapid Development of Cross-Border E-Commerce issued by the General Office of the State Council on June 16, 2015, the Several Opinions of the State Council on Promoting the Stabilization and Upswing of Foreign Trade issued by the State Council on May 5, 2016, and the Letter of 14 Departments including the Ministry of Commerce on Replicating and Popularizing Mature Experience and Practices from Cross-Border E-Commerce Comprehensive Pilot Zones jointly issued by the Ministry of Commerce, the NDRC and another twelve departments on October 26, 2017. These regulations and policies support implementation of preferential tax policies for e-commerce export, establishment of the e-commerce export credit system, establishment of warehouses for export products and overseas operation centers, creation of independent brands and improvement of export product quality, optimization of cross-border e-commerce management model and customs clearance formalities, and provisions of payment services and foreign exchange settlement services to cross-border e-commerce enterprises.

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### Regulations on Exportation of Goods

Pursuant to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004, November 7, 2016, and December 30, 2022, foreign traders engaging in import and export of goods or technology shall submit documents and material related to its foreign trade activities to the relevant departments in accordance with the provisions of the foreign trade department of the State Council or other relevant State Council departments in accordance with the law.

Pursuant to the *Customs Law of the PRC* (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017 and April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall file for record with the Customs in accordance with the laws.

Pursuant to the *Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities* (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

### Regulations on Road Transportation

Pursuant to the *Regulations on Road Transportation of the PRC* (《中華人民共和國道路運輸條例》) promulgated by the State Council in April 2004 and most recently amended in July 2023, and the *Provisions on Administration of Road Freight Transportation and Stations (Sites)* (《道路貨物運輸及站場管理規定》) (the "Road Freight Provisions") issued by the Ministry of Transport in June 2005 and most recently amended in November 2023, the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, anyone engaged in the business of operating road freight transportation must obtain a Road Transportation Operation Permit from the local county-level road transportation administrative bureau, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. The incorporation of a subsidiary of road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If it intends to establish a branch, it should file with the local road transportation administrative bureau where the branch is to be established. Pursuant to the Notice on the Cancellation of the Road Transportation Operation Permit and the Driver Qualification Certificate for Ordinary Freight Vehicles with a Total Mass of 4.5 Tons or Less (《交通運輸部辦公廳關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》) promulgated by the Ministry of Transport, which took effect in January 2019, local transportation management departments

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will no longer issue Road Transportation Operation Permit for ordinary freight vehicles with a total mass of 4.5 tons or less, and shall not impose administrative penalties on such vehicles and drivers for the reasons of operating without permits and driving freight transportation vehicles without corresponding qualification certificates.

Although the Road Transportation Operation Permits have no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should also make record-filing with the local road transportation administrative bureau where they carry out business.

### Regulations on Foreign Investment

In March 2019, the National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “2019 PRC Foreign Investment Law”). Upon taking effect on January 1, 2020, the 2019 PRC Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

Pursuant to the 2019 PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

On December 26, 2019, the State Council issued the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the *Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-Owned Enterprise Law* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法實施細則》).

The NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “2021 Negative List”) on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed “permitted” for foreign investments. The 2021 Negative List sets out 31 industries which foreign investments are prohibited or restricted, including domestic express delivery services of letter. Moreover, according to the 2021 Negative List, to issue shares abroad and list and trade shares overseas, any domestic enterprise engaging in the fields prohibited by the 2021

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Negative List, shall obtain the consent of the relevant competent authorities of the State, and the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors' shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors. The NDRC further clarified the meaning of "shall obtain the consent of the relevant competent authorities of the State" through the Answers to Reporters' Questions on the 2021 Negative List by relevant officials of the NDRC disclosed on its official website, that is the review and approval obtained by such domestic enterprise that the prohibition requirement under the 2021 Negative List does not apply to the overseas listing by such domestic enterprise.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

### Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the *Regulations on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) ("Circular 16"), which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement is not restricted from being used to extend loans to related parties or repay the inter-company loans (including advances by third parties).

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("Circular 3"), which took effect on the same day. Circular 3 sets out various capital control measures with respect to outbound remittance of funds from PRC entities to offshore entities. Circular 3 requires banks to verify board resolutions, tax filing forms, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US\$50,000. Moreover, pursuant to Circular 3, PRC entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

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In October 2019, SAFE issued the Notice of Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (“**Circular 28**”), which took effect on the same day. Circular 28 cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), (“**Circular 8**”), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of Circular 28 and Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

### Regulations on Cyber Security, Data Security and Personal Information Protection

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Decisions on Protection of Internet Security enacted by the SCNPC (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

The Administrative Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of Public Security on December, 1997 and amended in January 2011, prohibit the use of the Internet in a manner that would result in the leakage of state secrets or the spread of socially destabilizing content. The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated in December 2005 by the Ministry of Public Security require all Internet service providers to keep records of certain information about their users (including user registration information, log in and log out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State



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Council on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of the information system to the legitimate rights and interests of citizens, legal persons and other organizations, social public order and public interests and the national security and require the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days since the date when its security protection grade is determined or its information system is put into operation.

On July 1, 2015, the SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), which came into effect on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On May 28, 2020, the National People's Congress adopted the PRC Civil Code (《中華人民共和國民法典》) (the "Civil Code"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, store, use, process or transmit personal information of others, or illegally provide or disclose personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, date of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information and whereabouts. The Civil Code revised the internet tort liability and further elaborated on "safe harbour" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder that any network users infringe on his/her civil rights, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and referring right holders' notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code also provides that where the internet service provider knew or should have known the infringing acts of the network user but take no necessary measures, it shall be jointly and severally liable with such internet user.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law") and become effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

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On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "Data Security Law") which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system.

In August 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law (《個人信息保護法》) which took effect in November 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, using a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information.

Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, personal information processors could be subject to liability for their processing activities, including rectification, or suspension or termination of their provision of their services as well as confiscation of illegal income, fines or other penalties. As the Data Security Law, the Personal Information Protection Law and relevant rules and regulations are constantly evolving and may be amended from time to time, we may be required to make further adjustments to our business practices to comply with these laws, rules and regulations.

In the meantime, the PRC regulatory authorities have also enhanced the supervision and regulation on cross-border data transfer. In July 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect in September 2022 and regulate the security assessment on the cross-border data transfer by data processor of important data and personal information collected and generated during operations within the PRC. According to these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year; or (iv) other circumstances as requested by the CAC. According to the official interpretation by the official of the CAC, cross-border data transfer activities subject to these measures include (1) the transmission and storage overseas by data processors of the data generated during PRC domestic operations, and (2) the access to or use of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals. Furthermore, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transmission before the effectiveness of these measures are required to be rectified by end of February 2023.

Another example is that, on February 24, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer (《個人信息出境標準合同辦法》) (the "Provisions on Prescribed Agreement") were promulgated by the CAC, which took effect on June 1, 2023.

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The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

In April 2020, the CAC, the NDRC, the MIIT, and several other governmental authorities jointly issued the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect in June 2020. According to the Cybersecurity Review Measures, the purchase of cyber products and services mainly including core network equipment, high-performance computers and servers, mass storage devices, large databases and application software, network security equipment, cloud computing services, and other products and services that have an important impact on the security of critical information infrastructure which affects or may affect national security is subject to cybersecurity review by the Cybersecurity Review Office. In December 2021, the CAC, together with certain other PRC governmental authorities, promulgated the Revised Cybersecurity Review Measures which replaced the then-effective version and took effect in February 2022. According to the Revised Cybersecurity Review Measures, operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, network platform operators with personal information of over one million users must apply for a cybersecurity review before listing abroad. Relevant competent governmental authorities may also initiate cybersecurity review if they determine certain network products, services or data processing activities affect or may affect national security. Article 10 of the Revised Cybersecurity Review Measures also sets out certain general factors that are the focus in assessing the national security risk in a cybersecurity review, including (i) the risks of critical information infrastructure being illegally controlled by any individual or organization or subject to interference or destruction; (ii) the harm caused by the disruption of the supply of the product or service to the continuity of critical information infrastructure business; (iii) the security, openness, transparency and diversity of sources of the product or service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors; (iv) compliance with PRC laws, administrative regulations and department rules by the provider of the product or service; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transmitted overseas; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information for a listing being affected, controlled, and maliciously used by foreign governments, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security.

Furthermore, in November 2021, the CAC promulgated Draft Regulations on Network Data Security Management (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Cyber Data Security Regulations”) for public comments, pursuant to which, data processors shall apply for cybersecurity review if they engage in (i) merger, reorganization or division of Internet platform operators with significant data resources related to national security, economic development or public interests that affects or may affect national security; (ii) overseas listing while processing over one million users’ personal information; (iii) Hong Kong listing that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations also provide that operators of large Internet platforms with headquarters, operation centers or R&D centers overseas shall report to the CAC and relevant authorities. The Draft Cyber Data Security Regulations further require data processors processing important data or going public overseas to conduct annual data security self assessment, and submit the data security assessment report to their respective local branch of the CAC before January 31 each year. Internet platform operators shall also establish and publish data policies and rules on their websites for user comments. In addition,

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data policies and rules and any material amendments thereof of large Internet platforms with over 100 million daily active users shall be evaluated by a third-party organization designated by the CAC and approved by the respective local branches of the CAC and the MIIT. There is no definite timetable as to whether and when this draft will be enacted. As such, uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of such measures.

According to the Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) jointly promulgated by the MIIT, the CAC and the Ministry of Public Security, which came into effect in September 2021, network product providers, network operators as well as organizations or individuals engaging in the network product security vulnerability discovery, collection, release and other activities shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant security vulnerability of network products with the MIIT within two days of discovery and provide technical support to network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or becoming aware that their networks, information systems or equipment have security loopholes. According to these provisions, the network product providers and network operators who fail to perform the aforementioned obligations may be subject to administrative penalty in accordance with the Cybersecurity Law.

The CAC is responsible for organizing and implementing cybersecurity reviews, while the competent departments in key industries such as finance, telecommunications, energy and transport shall be responsible for organizing and implementing security review of cyber products and services in their respective industries or fields.

### Regulations on Taxation

#### *The PRC Enterprise Income Tax*

Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was first promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions.

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Pursuant to the EIT Law, the expenses of an enterprise for the research and development of new technologies, new products and new process may be additionally calculated and deducted when calculating the taxable amount of incomes. The implementation rules of the EIT Law specifies that, the term “additional deduction of research and development expenses” means that, where the research and development expenses that are actually incurred for the purpose to develop new technologies, new products and new crafts and do not constitute intangible assets are recorded into the current profit or loss, such expenses shall be deducted from the taxable income for the current year at 50% of the actual amount incurred in the current year and on an actual basis as required; if intangible assets are constituted, such expenses shall be amortized at 150% of the costs of the intangible assets before tax.

Pursuant to the *Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses* (《關於提高研究開發費用稅前加計扣除比例的通知》), which was promulgated by the Ministry of Finance of the PRC, the SAT and the Ministry of Science and Technology of the PRC on September 20, 2018 and became effective on the same day, with respect to the research and development expenses that are actually incurred in the research and development activities of the enterprise, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2020, provided that the said expenses are not converted into the intangible asset and balanced into the enterprise’s current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset’s costs before tax during the above-said period.

According to the EIT Law, certain high-tech enterprises are entitled to a reduced EIT rate of 15%. The *Administrative Measures for Certification of High and New Technology Enterprises* (《高新技術企業認定管理辦法》) which was amended on January 29, 2016 and became effective on January 1, 2016, provides that, an enterprise legally certificated as a High and New Technology Enterprise is entitled to apply for preferential income tax policies according to EIT law and relevant regulations. A qualified enterprise will be issued the High and New Technology Enterprise Certificate (高新技術企業證書) and the qualification of a certificated enterprise shall be valid for a term of three years from the issuance date of the certificate.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in charge tax authority. However, based on the *Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. On February 3, 2018, the SAT issued the *Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement* (《關於稅收協定中“受益所有人”有關問題的公告》) (the “**Circular 9**”), effective as of April 1, 2018, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits.

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### *Transfer Pricing*

Pursuant to the EIT Law and its implement rules and the *Law of the People's Republic of China on the Administration of Tax Collection* (《中華人民共和國稅收徵收管理法》), which was first promulgated on September 4, 1992 by the SCNPC and amended on February 28, 1995, April 28, 2001, June 29, 2013 and April 24, 2015, related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

Based on the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on June 29, 2016, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company.

According to the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》) which partially repealed the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》), and was issued on March 17, 2017 and became effective on May 1, 2017 and was amended on June 15, 2018, if an enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment procedures according to the relevant provisions.

### *VAT and Business Tax*

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (2017 Revision) (《中華人民共和國增值稅暫行條例》(2017年修訂)) as amended on November 19, 2017 by the State Council, and its implementation regulations, unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate is 17%. According to provisions in the Notice on Adjusting the Value added Tax Rates (Caishui [2018] No. 32) (《關於調整增值稅稅率的通知(財稅[2018]32號)》) issued by MOF and the SAT on April 4, 2018, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice takes effect on May 1, 2018, and the adjusted VAT rates take effect at the same time according to the Notice.

Pursuant to provisions in the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39) (《關於深化增值稅改革有關政策的公告》) (財政部、稅務總局、海關總署公告2019年第39號) issued by Ministry of Finance, SAT and General Administration of Customs on March 20, 2019, with

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respect to VAT taxable sales or imported goods of VAT general taxpayers, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Announcement took effect on April 1, 2019, and the adjusted VAT rates has come into effect at the same time according to the Announcement.

According to The Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》), which was promulgated on May 25, 2012 by the Ministry of Finance of the PRC and SAT, of which some terms became effective from January 1, 2011, and other terms became effective from July 1, 2012, exported goods and services of export enterprises are eligible for VAT exemption and refund policy. Except for the export VAT refund rate (hereafter referred to as the "tax refund rate") otherwise provided for by the Ministry of Finance and SAT according to the decision of the State Council, the tax refund rate for exported goods shall be the applicable tax rate. SAT shall promulgate the tax refund rate through the Tax Refund Rate Catalog of Exported Goods and Services according to the aforesaid provisions for the implementation of the tax authorities and taxpayers. In the event of adjustment to the tax refund rate, the implementing date shall be subject to the export date as indicated in the Customs Declaration of Goods for Export (specifically for export tax refund) (including the goods under process, repair and fitting) except as otherwise provided.

### *Dividends Distribution*

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the Company Law, promulgated in 1993 and latest amended in 2018, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

According to the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) which was promulgated by the National People's Congress on April 9, 1991 and most recently amended on December 24, 2021, the limitation period for an action to recover a debt (including the recovery of declared dividends) is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

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Pursuant to the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of China provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the U.S.. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

### **Regulations on Labor, Social Insurance and Housing Accumulation Funds**

#### ***Labor***

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations. In addition, the Labor Contract Law also imposes requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. The Interim Provisions on Labor Dispatching (《勞務派遣暫行規定》), issued by the Ministry of Human Resources and Social Security of the PRC in January 2014 and came into effect in March 2014, requires the number of dispatched workers to not exceed 10% of the total number of workers, which refers to the sum of the number of employees with a labor contract with the employer and the number of dispatched workers the employer employed.

#### ***Social Insurance and Housing Accumulation Funds***

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) first implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) came into effect on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was released by the



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SCNPC on October 28, 2010, came into force on July 1, 2011 and was then amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) released by the State Council on April 3, 1999 and came into force on the same day, which latest amended by the State Council and coming into effect on March 24, 2019, an employer shall pay the housing accumulation funds for its employees in accordance with the relevant provisions of the state.

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the SAT on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Notice of Certain Measures on Further Supporting and Serving the Development of Private (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the SAT released the Notice of Certain Measures on Further Supporting and Serving the Development of Private (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the SAT will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

### Regulations on Leasing

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

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According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

On July 14, 2023, the National Fire and Rescue Administration promulgated Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation) (《租賃廠房和倉庫消防安全管理辦法(試行)》), which clarifies the respective fire safety management responsibilities of the lessor and lessee of the leased plant warehouse, and allows the lessor and lessee to stipulate their respective fire safety management responsibilities through the contract. According to the Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation), the lessor and lessee of a leased factory building or warehouse shall clarify the fire safety responsibilities of all parties concerned in writing, and if they fail to clarify such responsibilities in writing, the lessor shall be responsible for unified management of the common evacuation passages, safety exits, building fire control facilities and fire control engine passages, and the lessee shall be responsible for fire safety of the leased factory building or warehouse.

### **Regulations on Environmental Protection**

#### ***Environmental Protection Law***

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently revised on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment on Environment Impact Assessment

#### ***Laws on Environment Impact Assessment***

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the

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construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIR form shall be completed.

On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalog (2021 version), food and beverage services are not included in the management of EIA of construction projects.

### **Regulations on Intellectual Property**

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

#### ***Copyright***

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was most recently amended in November 2020 and became effective in June 2021, and its implementation rules. According to the Copyright Law, the term of protection for copyrighted computer software shall be 50 years. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology and pay damages.

#### ***Patent***

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People’s Congress in March 1984, which was most recently amended in October 2020 and became effective in June 2021, provides for three types of patents, “invention”, “utility” and “design”. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

#### ***Trademark***

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People’s Congress in August 1982 with the latest amendment being effective in November 2019, and its implementation rules promulgated by the State Council in August 2002 with the latest amendment being effective in May 2014, protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark

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registration. A registration application for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked.

### *Domain Name*

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT in August 2017 and became effective in November 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective in January 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

### **Regulations on Securities and Overseas Listing**

The Securities Law of the People’s Republic of China, which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

The PRC government has enhanced its regulatory oversight of Chinese companies listing overseas. The Opinions on Intensifying Crack Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) issued in July 2021 called for (i) tightening oversight of data security, cross-border data flow and administration of classified information, as well as amendments to relevant regulations to specify responsibilities of overseas listed Chinese companies with respect to data security and information security; (ii) enhanced oversight of overseas listed companies as well as overseas equity fundraising and listing by Chinese companies; and (iii) extraterritorial application of PRC securities laws.

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial

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Measures”) together with 5 supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the “Overseas Listing Regulations”). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity and data security, and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

### **Regulations on Full Circulation of H shares**

The Company shall comply with regulations on the H share “full circulation” to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange. Pursuant to the Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (2023 Amendment) (《H股公司境內未上市股份申請“全流通”業務指引(2023修正)》), or the Guidelines for the “Full Circulation”, promulgated and implemented by the

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CSRC on November 14, 2019 and revised on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於<境內企業境外發行證券和上市管理試行辦法>的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out “full circulation” arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

According to the Overseas Listing Trial Measures, “Full Circulation” represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. The shareholders of domestic unlisted shares shall authorize the domestic company to file the “Full Circulation” application with CSRC by filing materials on key compliance issues, including whether the “Full Circulation” has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the “Full circulation” involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share “Full Circulation” Business (《H股“全流通”業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants and services of nominal holders in relation to the H-share “full circulation business”, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

In order to fully promote the reform of H-shares “Full Circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, the CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈<H股“全流通”業務指南>的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody.

### LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE U.S.

Businesses operating in the U.S. are subject to a variety of federal, state and local laws and regulations (“**U.S. Regulations**”). The U.S. Regulations expected to be material to our operations are those relating to, among others, product safety, product liability, data privacy and customs and imports procedures as described below.

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### Product Safety

The law of product safety is primarily under the jurisdiction of the U.S. Consumer Product Safety Commission (“CPSC”), an administrative agency of the U.S. federal government that regulates certain classes of products sold to the public. The CPSC was established pursuant to the 1972 Consumer Product Safety Act (as amended, the “CPSA”). The CPSA is the umbrella statute at the federal level with respect to product safety for consumer products.

The CPSA was amended by the U.S. Consumer Product Safety Improvement Act of 2008 (“CPSIA”) in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the U.S. and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the U.S.. Products imported into the U.S. which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule, standard, regulation, or ban pursuant to the CPSA or issued by the CPSC. The requirement applies to all subcontractors and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and laws such as the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act. The CPSA specifies that certification must be based on a “test of each product or a reasonable testing program.” The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer and U.S. Customs and Border Protection (“CBP”). The CPSC may also request a copy of the certification.

The CPSA also contains several reporting requirements for subcontractors and sellers of consumer products sold in the U.S. Section 15 of the CPSA requires a manufacturer or a seller to inform the CPSC immediately in the event it obtains information that any of its products: (1) creates a substantial risk of injury to consumers; (2) creates an unreasonable risk of serious injury or death; or (3) fails to comply with an applicable consumer product safety rule or with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC. The CPSC may require the manufacturer or the seller to cease distribution of the product, and notify each person to whom the manufacturer or the seller knows such product was sold of such noncompliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer or the seller to bring the product into conformity with the applicable product safety rules, repair the defect in the product, replace the product with an equivalent product that complies with the applicable product safety rules, issue a product recall and/or refund the purchase price of the product.

### Proposition 65

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986 (“Prop 65”), is a California law that requires that California consumers receive warnings regarding the presence of more than 800 chemicals known to cause cancer and/or reproductive toxicity. The law is highly technical, constantly evolving, and actively enforced by the government and private enforcement action. Under Prop 65, any person in the course of doing business must provide a “clear and reasonable warning” before exposing individuals to listed carcinogens and reproductive toxins in their products. Prop 65 provides detailed requirements for the form, content, and placement of the required warning.

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The probability that a company will be subject to Prop 65 regulations is high because of how broadly the statute is worded. If a company manufactures, imports, distributes or sells a product that will be sold in California either through brick and mortar or online stores, or if a company has a physical presence of any kind in California (retail, office, warehouse, facility, factory, plant), then that company must abide by Prop 65 requirements. Recently, the California Office of Environmental Health Hazard Assessment (OEHHA) adopted a significant amendment to the Prop 65 warning requirement allowing companies to provide notice of the potentially toxic product either to the authorized agent for the business to whom they are selling or transferring the product, i.e., the next business in line, or to the authorized agent for the retail seller. Although this amendment appears to minimize the burden on companies, paying careful attention to Prop 65 requirements is encouraged. Auditing Prop 65 compliance well in advance could mean avoiding costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls.

### **Product Liability Law**

U.S. state law generally imposes liability on all subcontractors and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the U.S. are typically based on three theories of law: (1) strict liability, (2) negligence and (3) breach of warranty. In addition, as noted above, U.S. laws and regulations can also obligate subcontractors and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the defendant's level of care. Instead, a defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state may be subject to the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

Product liability legal actions and recall campaigns in the U.S. could involve personal injury and property damage and could involve claims for substantial monetary damages. The results of any future litigation and claims involving product liability in the U.S. are inherently unpredictable. Based on our past experience, we do not anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will have a material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

### **Data Privacy**

We are subject to a variety of laws and regulations in the U.S. that involve privacy, data protection and personal information, data security, and data retention and deletion. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. U.S. federal and state laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement



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of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from state to state and country to country and inconsistently with our current policies and practices.

### Import Tariffs and Customs Regulations

U.S. customs regulations (“**Customs Regulations**”), administered by CBP apply to any products entering the U.S.. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The U.S. imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedules of the U.S. (the “**HTSUS**”). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the U.S. executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties. Section 201 of the Trade Act of 1974, 19 USC §2101 et. seq. (the “**Trade Act**”) permits the President of the U.S. to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the U.S. that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the U.S. to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization to take such enforcement actions.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported into the U.S. from China, and *vice versa*, under Sections 201 and 301 of the Trade Act.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

### Transfer Pricing

The U.S. has an extensive system of laws and practices designed to preserve the U.S. tax base by preventing income from being shifted among related parties through the inappropriate pricing of related party transactions. The U.S. transfer pricing regime seeks to ensure that transactions involving the transfer of goods and services between related companies are made on an arm’s length basis and are priced based on market conditions that permit profit to be reflected in the appropriate tax jurisdiction. Where the results of a transaction do not reflect an arm’s length price, the U.S. tax authority can reallocate the income to reflect the appropriate price and in some cases, impose monetary penalties for substantial or deliberate inaccuracy.

The U.S. Congress has enacted legislation and the US Treasury Department has promulgated regulations to control transfer pricing, all of which are administered and enforced by the Internal Revenue Service (“**IRS**”). On 22 December 2017, the Tax Cuts and Jobs Act (Tax Act) became law. The Tax Act represents a comprehensive reform to the Internal Revenue Code (“**IRC**”). Among its many changes, the Tax Act lowered the federal corporate income tax rate to 21% and overhauled the international tax provisions of the IRC, which may cause many multi-national companies to reevaluate their transfer pricing arrangements. Additionally, the Tax Act amended the IRC’s transfer pricing provisions, which will directly affect transfers of intangible property. Federal tax legislation is contained in the IRC. Specifically, Section 482 of the IRC governs transfer pricing and applies when two or more organizations, trades, or businesses (regardless of form and place of the organization) are owned or controlled, directly

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or indirectly, by the same interests. The general rule of Section 482 authorizes the IRS to reallocate income, deductions, credits or allowances among the members of a controlled group of entities to ensure clear reflection of income or to prevent tax avoidance.

Section 482 also provides an additional test for transfers of intangible property (IP). Income with respect to the transfer (or license) of IP must be "commensurate with the income" attributable to the IP. Under the commensurate-with-income standard, actual profit realized from the exploitation of an intangible must be considered in determining an arm's length price for the transfer of the intangible. The amount of the compensation should therefore reflect changes in the income attributable to that intangible over time.

In the U.S., individual states enact their own corporate income tax rules, which include the power and authority to regulate transfer pricing. The state rules focus on the shifting of income and deductions from a high-tax state to lower-tax states. Although the focus of most multinational businesses is on the relationship with the IRS, the state-by-state approach to transfer pricing methodologies must not be ignored. Each state is a sovereign taxing jurisdiction with the authority to disregard the conclusions reached by the IRS with respect to the appropriateness of a particular transfer pricing method.

Each of the 50 U.S. states has its own internal statutes, regulations, case law and other authority governing transfer pricing issues.

### LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

#### Statutory Law

Below is an overview of the laws and regulations materially relevant to our business in Germany. It does not claim to provide a complete and comprehensive presentation of all relevant legal regulations.

#### *Purchase Law*

The sale of goods via the e-commerce platforms constitutes a sales contract (§ 433 et seq. of the German Civil Code — "*Bürgerliches Gesetzbuch*" (hereinafter also referred as: "BGB")).

In Germany, sales law is largely governed by the German Civil Code, § 433 ff. BGB. If the sales contract is concluded between two merchants, the sales law is complemented and partially modified by the provisions of the German Commercial Code ("*Handelsgesetzbuch*" — hereinafter also referred as: "HGB"), §§ 373 et seq. HGB). If the sale is made with a consumer (sale of consumer goods), additional consumer protection standards apply (§§ 474 et seq. BGB).

With regard to sales to consumers, the sales law provisions of the German Civil Code (BGB) apply. The BGB implements various EU sales law directives. Purchase law has undergone far-reaching changes as of 2022 through the implementation of the Goods Directive (2019/771/EU) and the Digital Content Directive (2019/770/EU) (implemented in particular in Sections 327 et seq. and Sections 475a et seq. of the German Civil Code for digital products).

According to the German Civil Code (BGB), the seller is obliged to hand over the item to the buyer and to procure ownership of it — free of material defects and defects of title, § 433 Para. 1 BGB. The buyer is therefore entitled to a fulfillment claim for the handover and transfer of ownership of a defect-free item.

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If the item is defective at the time of the transfer of risk (§ 446, § 447, § 475 para. 2, 3 BGB), i.e. usually at the time of handover, this gives rise to warranty rights for the buyer.

The item is free of material defects if it fulfils the so-called subjective requirements, the objective requirements and the assembly requirements in the following sense at the time of transfer of risk. The item fulfils the subjective requirements if it has the agreed quality, is suitable for the use stipulated in the contract and is handed over with the agreed accessories and the agreed instructions, including assembly and installation instructions. This condition includes the type, quantity, quality, functionality, compatibility, interoperability and other characteristics of the item for which the parties have agreed requirements. Unless otherwise effectively agreed, the item meets the objective requirements if it is suitable for normal use, has a quality that is customary for items of the same type and that the buyer can expect, taking into account the type of item and the public statements made by the seller, in particular in advertising or on the label, corresponds to the quality of a sample or specimen that the seller has made available to the buyer before the conclusion of the contract, and is handed over with the accessories, including packaging, assembly or installation instructions and other instructions that the buyer can expect to receive. This usual condition includes the quantity, quality and other characteristics of the item, including its durability, functionality, compatibility and safety. If assembly is to be carried out, the item meets the assembly requirements if the assembly has been carried out properly or has been carried out improperly, but this is neither due to improper assembly by the seller nor to a defect in the instructions provided by the seller. If the seller delivers an item other than the contractually owed item, this is equivalent to a material defect, § 434 BGB.

The burden of proof that the goods were defective at the time of the transfer of risk generally falls to the buyer, § 363 BGB. However, if the goods are sold to a consumer, the burden of proof is reversed: if a defect appears within one year, it is presumed in favor of the buyer that the goods were already defective at the time of transfer of risk. In this case, it is up to the seller to rebut this presumption, § 477 BGB.

If the item is defective, the buyer is entitled to request subsequent fulfillment (at his discretion, new delivery or rectification), to withdraw from the contract, to reduce the purchase price or to demand compensation for damages or expenses, § 437 et seq. BGB. However, the buyer has to give the seller the opportunity for subsequent fulfillment and set a grace period for this purpose before the buyer can demand compensation or withdraw from the purchase contract. This grants the vendor a second opportunity. As part of the subsequent fulfillment, the buyer must also bear the necessary expenses (e.g. transport costs).

Warranty claims for movable goods generally expire within two years, beginning with the handover of the purchased item, § 438 Para. 1 No. 3 BGB.

In addition to these warranty rights, the manufacturer or seller may grant the buyer guarantee rights (guarantee), Section 443 (1) BGB. If such a guarantee of durability is given, it is assumed by law that a defect occurring during the guarantee period constitutes the guarantee rights.

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### *Consumer Rights and Special Regulations for E-Commerce and the Sale of Digital Products*

#### *Additional Regulations for the Sale of Consumer Goods*

In the case of sales to a consumer, the sales law is stricter in favor of the buyer in some points, § 474, § 475d, § 475e, §§ 476, 477 BGB. This applies both to purchases of goods (Section 241a (1) BGB) and to sales contracts that also include the provision of a service (Section 474 BGB).

#### *Special Provisions for the Sale of Digital Products*

The law contains further special provisions for consumer contracts for digital products. These include the provision of payable digital content or digital services (Sections 327 ff., Section 475a, Section 475b, Section 475c, Section 475e BGB). Digital content includes computer programs, music files, video files, audio files, digital games, electronic books and other electronic publications.

#### *Special Provisions for Consumer Contracts via E-Commerce*

With regard to the applicable e-commerce law, several regulations are relevant in Germany. In particular, the German Telemedia Act (TMG), the Telecommunication Act (TKG), the Unfair Competition Act (UWG) and the provisions of the German Civil Code (BGB) which concern digital or electronic means of contracting are of importance.

Among other things, the TMG contains regulations on the obligation to provide an imprint containing mandatory business information, such as address and further information obligations. The obligation to maintain an imprint also applies to foreign companies, insofar as the obligations can be fulfilled under foreign law.

Civil law also contains special provisions for e-commerce. The provisions of Sections 312-312k BGB implement, among other things, the European Consumer Rights Directive (2011/83/EU) and the European E-Commerce Directive (2000/31/EC) and contain several special provisions for the conclusion of consumer contracts in the e-commerce sector. This is intended to standardize a certain level of consumer protection. In particular, the regulation of distance contracts (Section 312c BGB) is relevant, for which Sections 312d-312f BGB supplement consumer protection with special obligations and provide for a separate right of withdrawal (Section 312g, Sections 355 et seq. BGB). The provisions of the third chapter under Sections 312i-312j of the German Civil Code (BGB) include regulations on electronic commerce.

For individual legal transactions with consumers initiated in a digital context, the BGB sets forth several consumer respectively user protection measures such as clear information on the seller, the order content (including for example shipping costs) and the order process (such as clear description of the button initiating the binding order). Furthermore, the seller must provide the consumer with the contract document giving the identity of the contracting parties or a confirmation of the contract reflecting the content of the contract. For details of the information obligations, cf. § 312d, § 312e, § 312f., § 312i, § 312j, § 312l BGB in conjunction with Art. 246a, b, c, d Introductory Code to the BGB ("*Einführungsgesetz zum Bürgerlichen Gesetzbuch*"). The consumer must also be informed of its right of withdrawal and the cost of returning the goods. The extensive information obligations for online shop operators have also been further strengthened. Now, operators of online marketplaces must disclose the criteria for product rankings, for example in search results. If the price of products is determined by an algorithm on a customer-specific basis ("*personalised pricing*"), this must also be disclosed.

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Finally, the legislator has also taken care of the cancellation policy (“*Widerrufsbelehrung*”) for distance contracts. In the future, it will be obligatory to provide a telephone number as well as an e-mail address for distance contracts. The cancellation policy must also mention communication channels that the company otherwise provides, such as WhatsApp support. In addition, the Price Indication Ordinance (“*Preisangabenverordnung*”) has been reformed. Besides to a fundamental restructuring, material changes are intended to increase the transparency of price quotations for customers. In future, the basic price must be indicated in the unit of quantity and must appear in an unambiguous, clearly recognisable and legible manner. In order to facilitate the classification of price reductions, the “previous price” must be indicated in future whenever a price reduction is announced. The previous price is the lowest price applied by the trader within the last 30 days before the price reduction.

The sections of the BGB apply to foreign companies for contracts with consumers who have their habitual residence in Germany, if the offer of the platform or web shop is directed at customers in Germany. The platform operator can limit this by clearly identifying to which customers in which countries he addresses his platform respectively the web shops therein.

### *Product Compliance and Product Liability*

In addition, there are other obligations that primarily apply to the manufacturer of a product. These arise from product safety regulations and product liability regulations, in particular under the Product Liability Act and under tort law.

A manufacturer within the meaning of the law is anyone who has manufactured the end product, a raw material or a partial product. A manufacturer is also deemed to be anyone who claims to be a manufacturer by affixing his name, trade mark or other distinctive sign. Furthermore, anyone who imports or brings a product into the area of application of the Agreement on the European Economic Area for the purpose of sale, rental, hire-purchase or any other form of distribution with a commercial purpose within the scope of their business activity is deemed to be a manufacturer. Depending on the specific circumstances of the individual case, suppliers may also be considered manufacturers in exceptional cases.

### *Product compliance*

As a general rule it can be stated that each product, which is put into the German market must be designed, manufactured and being provided with appropriate user information (manuals, warning messages as well as safety signs and labels) in a way that any hazardous situation in course of the product use will be avoided. This rule is reflected by rules and regulations within the Law on Product Safety and the Product Liability Law in Germany. Furthermore, a product may be subject to further legal requirements imposing formal requirements on the economic operators (manufacturers, importer and distributors) such as a specific certification or documentation of the product quality. Before entering the German market a proper product compliance organization must be managed to ensure the fulfillment of the aforementioned requirements. In detail the legal framework on which the product compliance shall apply consists for the scope of products in question of:

### *Law on product safety*

The Law on Product Safety of Germany consists of a framework of general rules such as the Law on Product Safety (“*Produktsicherheitsgesetz — ProdSG*”), as well as the 14 German product safety regulations, depending on the specific nature of the product (“*Produktsicherheitsverordnungen*”), the Law on Market Surveillance (“*Marktüberwachungsgesetz — MüG*”) as well as European Regulation on Market Surveillance

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EU 2019/2020, specific regulations dealing with specific products mainly based on EU law and general rules applicable to any kind of products. Products that do not comply with the Law on Product Safety cannot be distributed in Germany nor the EU. These rules and regulations do apply automatically when the product enters the German market. All these rules and regulations are compulsory and cannot be excluded nor modified by a contractual agreement.

For the products in question (considering furniture and home furnishings, home appliances, electric tools, consumer electronics, sport and wellness products and others), among others, the following selection of rules and regulations shall be observed:

- Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety, updated by the General Product Safety Regulation (GPSR) 2023/988 which will apply to all products placed on the EU market from 13 December 2024 (with a transitional period)
- Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market
- Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC
- Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products and repealing Council Directive 73/44/EEC and Directives 96/73/EC and 2008/121/EC of the European Parliament and of the Council
- Regulation (EU) 2017/1369 of the European Parliament and of the Council of 4 July 2017 setting a framework for energy labelling and repealing Directive 2010/30/EU
- European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste
- Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment
- Directive 2014/35/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits
- Directive 2014/53/EU of the European Parliament and of the Council of 16 April 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC

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- Directive 2014/30/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to electromagnetic compatibility
- Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)
- Directive 2006/66/EC of the European Parliament and of the Council of 6 September 2006 on batteries and accumulators and waste batteries and accumulators and repealing Directive 91/157/EEC
- Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of eco-design requirements for energy-related products

Textile products for which a specific functionality applies such as for Personal Protective Equipment such as working garment could be object of the Regulation (EU) 2016/425 of the European Parliament and of the Council of 9 March 2016 on personal protective equipment (PPR). The PPR applies to a wide range of personal protective equipment, which provides protection amongst others against superficial mechanical injury, contact with hot surfaces or damage to the eyes due to exposure of sunlight. PPR products need a CE-marking which is based on a CE conformity assessment conducted by the manufacturer and in some cases approved by a notified body.

Furthermore, Regulation (EC) 528/2012 concerning the making available on the market and use of biocidal products of 22nd May 2012, restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mold and anti-odor products.

The rules of market surveillance (European Regulation (EU) 2019/1020 as well as the MüG) have founded a legal framework to further develop and strengthen the market surveillance authorities.

Briefly summarized, those aforementioned regulations, amongst others, provide for requirements regarding product properties (such as restrictions on substances), product labelling (such as the product itself as well as the manufacturer/importer identification domiciled in the European Economic Area, applicable markings and moreover proper instruction and information to users (e.g. such as warnings)).

### *Product Liability*

In Germany, either the seller or the producer, or both jointly, can be held liable if the product is defective. The harmed person may assert claims arising from product liability, producer liability, and warranty for defects. The rules for liability are to be found in the German Product Liability Law ("*Produkthaftungsgesetz — ProdHaftG*") and the German Civil Code as well as in special laws.

Pursuant to the BGB, if a product does not meet the quality or the quantity which has been agreed and may be expected or if the product does not fit the conventional or agreed application scenario, the buyer has the aforementioned warranty rights. In some circumstances, recourse may be taken against the producer provided recourse from seller to producer is admissible which is also regulated by the so-called entrepreneur's recourse according to § 445a BGB (*Rückgriff des Verkäufers*). In addition, in the event that a guarantee is granted, the guarantee statement must now be drafted in a simple and comprehensible manner and made available to the buyer on a durable medium, e.g. in paper form or by e-mail, or pdf file, at the latest by the time of delivery of the purchased item. In the future, a guarantee which traders or manufacturers may grant to the buyer must have certain mandatory contents (i.e. indication that

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recourse to the statutory rights in respect of defects is free of charge and that these rights are not limited by the guarantee, the name and address of the guarantor, procedure for claiming under the guarantee, i.e. the trader must describe how the consumer obtains his guarantee benefit exact designation of the object of purchase for which the guarantee is granted, the duration and territorial scope of the guarantee.).

In the event a product has caused damage to persons or items (other than the defective product), the producer is strictly liable pursuant to the German Product Liability Law ("*Produkthaftungsgesetz*", "*ProdHaftG*"). Such a damage may also be caused through textile products. Liability under the ProdHaftG can neither be restricted nor excluded in advance. In principle, the individual who suffered damage must (only) prove the fault, the damage, and the causal link between fault and damage, as liability under the ProdHaftG is a so-called strict liability, meaning regardless of fault. The maximum liability for damages relating to a human being as a consequence of a defective product is EUR 85 million.

The ProdHaftG applies, if the harmed party has its habitual residence in Germany and the defective product was placed on the German market or if the defective product was bought in Germany and was placed on the German market or if the harm arose in Germany and the defective product was placed on the German market. It is sufficient that the producer could reasonably foresee that a product might be placed on the German market by another market participant, e.g. one of its customers, to be liable under the ProdHaftG. Thus, it is not necessary that the defective product was imported to Germany by the producer. Comparable regulations also apply in the other Member States of the EU.

Additionally, producers as well as under certain circumstances sellers, can also be held liable pursuant to tort law under the BGB if the product is defective. In this respect, the manufacturer has the obligation to properly design and produce a product, to instruct on its use and to monitor it (see also below). The liability under German tort law is in principle unlimited and there is a liability for all damages caused by the defective product. According to case law, the producer is also obliged to observe the market (*Pflicht zur Produktbeobachtung*). This constitutes a producer's duty of investigation and reaction since product safety and compliance first and foremost lies in the producer's hand.

### *IP law*

Germany has different IP laws in place to protect the various types of IP rights such as trademarks (*Markengesetz*), inventions (*Patentgesetz* and *Gebrauchsmustergesetz*), copyright (*Urhebergesetz*) and designs (*Designgesetz*). Each of these Acts set out the specific requirements under which protection is granted, the scope of protection, and the rights in case of an infringement.

Whereas protection of some of the IP rights (such as patents or trademarks) is generally granted upon its registration in the public trademark or patent register, other IP rights do not need to be registered to enjoy protection (such as copyrights, unregistered trademarks know-how). The basic privilege of the IP right holder is that they can exclude third parties from using the IP right without their authorization. It is also the IP holder's right to commercialize its IP rights, e.g. sell it or grant licenses to other parties. The German Patent and Trademark Office (*Deutsches Patent- und Markenamt, DPMA*) is competent for the registration of the IP rights and its cancellation in case a third party opposes the registration or later files a nullity request. In case of an infringement, cease-and-desist, information and damage claims may be raised.



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### *Act against Unfair Competition*

The German Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*, "UWG") is a set of provisions that regulate special aspects of fair trade on the German market. Its purpose is to protect the competitors, consumers and other market participants against unfair commercial practices and the interests of the public in undistorted competition.

As a general principle, unfair commercial practices are illegal according to § 3 para. 1 UWG. The commercial practices in relation to consumers that are listed in the Annex to the UWG are always deemed illegal. Apart from that, the UWG describes situations in which unfairness is deemed to have occurred, e.g. aggressive commercial practices (Section 4 UWG), misleading commercial practices (Section 5 UWG) and sets out the principles of comparative advertising (Section 6 UWG). Not only unfair practices, but also unacceptable nuisance to a market participant is illegal (Section 7 UWG), which particularly applies to unwanted advertising. Examples of prohibited practices are the exercise of direct or indirect coercion on customers, if a consumer acquires products not on the basis of a free decision but because of the pressure exerted on him/her, the targeted "harmful obstruction" of other competitors, the poaching of customers or employees from competitors, or calls for boycotts.

The most important claim to act against practices that are prohibited pursuant to the UWG is the claim for injunctive relief. Apart from the injunctive relief, claims for damages or for information are possible. In general, a 6-month limitation period applies to all claims concerning UWG.

### *Data protection law*

Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (GDPR) and the German Federal Data Protection Act (BDSG). In addition, the Telecommunication and Telemedia Data Protection Act (TTDSG) does apply and deal with the data protection for the Online Business. According to the so-called market place principle in Article 3 (2) of the GDPR, the GDPR also applies to foreign companies for the processing of personal data of persons located in the EU, insofar as the processing is related to the offer of goods and services or the observation of the data subjects. The relevant connecting factor is the targeting of certain sales and advertising measures to persons located in the EU. The GDPR generally addresses the controller of the data processing regarding the obligations and duties in relation to the processed data, as the data controller is the main legally responsible entity in the context of the GDPR. In the case of an e-commerce platform where a platform operator offers on his platform to sellers and providers of goods and services the possibility to sell, platform operator and sellers usually are either independent controllers (each responsible for their own processing of data) or so-called joint controllers (together responsible for the data processing). Either way — joint or independent controller — the controller must in particular adhere to the GDPR principles for data processing and must ensure the existence of adequate legal bases for data processing as well as the availability of transparent information on the data processing from the customer's/user's point of view. Additional obligations and data protection relationships may exist depending on the individual case, for example data processing agreements may exist with payment service providers involved on behalf and according to the data processing directions by any one controller.

### *GDPR principles*

The GDPR provides various principles that also run through the national regulations and must therefore always be observed. If these principles/requirements are not met and unlawful processing takes place, data subjects can assert their rights under the GDPR and sue for damages. There may also be a threat of proceedings by the supervisory authorities.

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Some of the most relevant principles of the GDPR are regulated in Art. 5. Any personal data must always be processed on a legal basis (Art. 5 I a) GDPR), in a transparent manner (Art. 5 I a), Art. 13 GDPR) and with the usage of such data limited to a specific, explicit purpose (Art. 5 I b) GDPR). The personal data that is stored must be kept to a minimum (Art. 5 I c) GDPR) and up-to-date (Art. 5 I d) GDPR), and must be deleted as soon as it is no longer needed for the specified purpose (Art. 5 I e) GDPR). The processing of personal data with/between several parties must be regulated by corresponding data processing agreements like a data processing agreement (Art. 28 GDPR) or a joint controller agreement (Art. 26 GDPR). This also applies for data processing between group companies and affiliates.

The transfer of personal data outside the EU/EEA must meet special requirements. There must either be an adequacy decision by the EU Commission for the country in which the recipient is located or additional guarantees in accordance with Art. 46 GDPR. This also applies for data transfers between group companies and affiliates. If data of European citizens will be stored on the servers in Hong Kong, appropriate guarantees (Art. 46 GDPR) must be in place.

### *Legal consequences of violations of the GDPR*

Any person who has suffered material or non-material damage as a result of an infringement of this Regulation shall have the right to obtain compensation from the controller or processor for the damage suffered. The data subjects may therefore bring an action for damages before the civil courts. In May 2023, the European Court of Justice ruled that no materiality threshold is to be observed and thus also allows for “trivial cases”. In addition to legal action in the civil courts, administrative proceedings can also be brought before the supervisory authorities. These can either carry out an inspection of the company on their own initiative or because someone, e.g. a data subject, has issued a notification. Infringements of the provisions of the GDPR can lead to fines of up to 20,000,000 EUR or up to 4% if the total worldwide annual turnover of the preceding financial year, whichever is higher. Strictly adhering to the GDPR is therefore important for any company operating within its framework.

Each supervisory authority has the corrective powers to impose a temporary or definitive limitation including a ban on processing. In this case, the data processing that is not lawful in the opinion of the supervisory authority must be stopped accordingly. Depending on the circumstances, this can cause the entire operation of a company to come to a standstill.

## LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN ITALY

### **Consumer Rights Compliance**

#### *Italian Consumer Code — General information*

The Italian consumer protection legislation — mainly deriving from EU Directives — has been pooled in the so called “**Consumer Code**” (*Codice del Consumo* — Italian Legislative Decree no. 206 of 6 September 2005), as subsequently amended, lastly by Legislative Decree no. 26 of 7 March 2023, which transposed EU Directive 2019/2116 (*Direttiva Omnibus*). The rules of the Consumer Code shall apply to agreements concluded between a professional and a consumer<sup>1</sup>.

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<sup>1</sup> The provisions of the Italian Civil Code regulating the sale (Art. 1492 et seq. of the Civil Code) apply to the contract of sale where the sale is made to a person who cannot be qualified as a consumer under the Consumer Code (e.g., C2C and B2B).

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The Consumer Code provides, *inter alia*, the following:

*Information to the consumer*

According to the Consumer Code, specific information must appear on the packaging or on the labels of the products placed on the market in Italy since the products were offered for sale to the consumer. The seller is also required to provide the consumer with a range of information relevant to his identification. The consumer must be also informed about the price of the product, the possible methods of payment, about conditions, terms, procedures, and sample form to exercise withdrawal and about the existence of the legal guarantee of conformity for goods. Violation of the aforementioned provisions of the Consumer Code are punished by an administrative fine ranging from 516.00 euros to 25,823.00 euros.

*Seller's liability, legal guarantee of conformity and right of withdrawal*

According to the Consumer Code, the seller shall ensure that the products sold correspond to the contractual description, type, quantity, and quality and meet certain conformity requirements specified by the Consumer Code itself. Therefore, the seller shall be liable for any lack of conformity of the goods existing at the time of delivery and becoming apparent within two years. Direct action to report the defects not maliciously concealed by the seller expires 26 months after delivery. In case of lack of conformity of the good, the consumer shall have the right to the restoration of conformity or proportional reduction of the price or termination of the contract. For the purpose of restoring the goods to conformity, the consumer may choose between repair and replacement, provided that the remedy chosen is not impossible or excessively expensive for the seller. The consumer shall be entitled to a proportional reduction in the price or termination of the contract: (i) if the seller has failed to repair or replace the goods, (ii) if a lack of conformity becomes apparent despite an attempt to restore the goods, (iii) if the lack of conformity is so serious as to justify the price reduction or termination, (iv) if the seller has declared or it appears from the circumstances that he will not restore conformity within a reasonable time. The consumer does not have the right to terminate the contract if the lack of conformity is minor. The consumer shall be entitled to a price reduction proportional to the decrease in value of the goods. In case of termination, the consumer shall return the good to the vendor at the vendor's expense and the vendor shall refund to the consumer the price paid for the good upon receipt of the good. Seller may also grant conventional warranty over a specified period.

Pursuant to Article 52 of the Consumer Code, for online sales the consumer shall be given the right of withdrawal, consisting of the possibility to unilaterally terminate the agreement without incurring penalties. This right of withdrawal cannot be waived and may be exercised without explanation. In general, the consumer can exercise the right of withdrawal within the period of 14 days from delivery. However, if the information obligation regarding the consumer's right of withdrawal has not been fulfilled, the withdrawal period ends 12 months after the end of the initial withdrawal period. The exercise of the right of withdrawal terminates the obligation to perform the contract and the seller must reimburse, without delay and in any case within 14 days from the date on which he is informed of the withdrawal from the contract, all payments received from the consumer, which may include delivery charges. The seller may withhold the refund until he has received the goods or until the consumer has proved that he has returned them. The consumer who has exercised the right of withdrawal must return the goods to the seller or to a third party authorized by the seller, without delay and in any case within 14 days from the date on which he communicated his decision to withdraw from the contract and bear the direct cost of returning the goods, provided that the seller has not agreed to bear it or has failed to inform the consumer that such cost is borne by him.

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Unless the fact constitutes a crime, the seller who infringes on the rules or obstructs the consumer's exercise of the right of withdrawal or fails to reimburse the consumer shall be punished by an administrative fine, for each violation ranging from 5,000 to 50,000 euros.

### *Unfair commercial practices*

According to Article 20 of the Consumer Code, unfair commercial practices are prohibited. A commercial practice shall be considered unfair if: i) it is contrary to the requirements of professional diligence, and it is false or; ii) it materially distorts, or it is likely to materially distort the economic behavior — with regard to the product — of the average consumer whom it reaches or to whom it is addressed, or of the average member of the group when a commercial practice is directed to a particular group of consumers. The Consumer Code distinguishes the unfair commercial practices between (i) misleading and (ii) aggressive commercial practices.

The body in charge for the repression of unfair commercial practices, also carried out on e-commerce and of applying Consumer Code is the Italian Competition Authority ("**AGCM**"), an administrative, non-judicial authority. Different to other — at least European — countries, the AGCM is competent also competent for consumer protection and has powers to investigate and to fine companies (including platform and any company selling online) for unfair commercial practices and misleading advertising<sup>2</sup>. The AGCM may also order the application of an administrative fine ranging from 5,000 euros to 10,000,000 euros. With regard to cases of an EU dimension, the AGCM can sanction up to 4% of the professional's annual turnover in Italy or in other Member States concerned. If there is no available information on the sanctioned professional's turnover, the sanction may not exceed Euro 2 million.

### *The Italian Legislative Decree no. 145 of 2007 — Misleading advertising*

The statutory provisions of the Italian Legislative Decree no. 145 of 2007 (the "**Legislative Decree 145/2007**") regarding misleading advertising are similar to those for unfair commercial practices regulated by the Consumer Code. However, Legislative Decree 145/2007 protects professionals and companies against misleading advertisings of other professionals, and anyone acting in their name and on their behalf (representatives or agents), and aims at clear, truthful, and correct advertisements. Moreover, it sets the conditions under which comparative advertising is considered lawful.

The body in charge for the repression of misleading advertising is the AGCM. The AGCM, with reference to the measure prohibiting the misleading advertising, could also order — to the platform or directly to the seller — the application of an administrative fine ranging from Euro 5,000.00 to Euro 500,000.00, to be calculated on the basis of the duration and seriousness of the breach of the provisions of Legislative Decree 145/2007. Moreover, the maximum fine for infringement of the suspension or the breach of the undertakings accepted by AGCM, or the infringement of the final order issued by AGCM is between Euro 10,000.00 and Euro 150,000.00 plus the suspension of the activities for a maximum period of 30 days.

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<sup>2</sup> Should the AGCM, acting on its own behalf or further to any interested party or organization's claim, ascertains the deceptiveness of an advertising message, could:

- prohibit the dissemination or continuation of the commercial practice;
- order the provisional suspension of unfair commercial practices where there is particular urgency;
- order to publish the decision in the mass media;
- order the modification of the packaging of the products;
- order the operator to pay a fine.

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### *The Italian Legislative Decree no. 70 of 2003 — electronic commerce*

Italian Legislative Decree no. 70 of 2003, on “*Implementation of Directive 2000/31/EC on certain legal aspects of information society services in the internal market, with particular reference to electronic commerce*” (the “**Legislative Decree 70/2003**”) represents Italy’s main regulatory source on electronic commerce. It implements the European Directive on electronic commerce (2000/31/EC). Legislative Decree 70/2003 regulates the requirements to which the exercise of online sales activity is subject<sup>3</sup>.

Unless the fact constitutes a crime, for violations of the provisions of Legislative Decree 70/2003, the natural or legal person who conducts an online activity shall be punished by a fine of ranging from 103 euros to 10,000 euros by the administrative policing bodies. If, on the other hand, the provisions of the Consumer Code are violated and an unfair commercial practice is implemented in the e-commerce sector, the AGCM is responsible for ascertaining the violation.

### **Product Compliance<sup>4</sup>**

#### *Product safety and manufacturer’s liability — The new EU General Product Safety Regulation*

Articles 102 to 113 of the Consumer Code<sup>5</sup> are specifically related to the product safety. The manufacturer shall place on the market only safe products, providing the consumer with all information relevant to the assessment and prevention of risks arising from normal or reasonably foreseeable use of the product and prevention against such risks<sup>6</sup>. The manufacturer shall be also liable for damage caused by defects in its product. The manufacturer shall pay compensation for the damage caused in accordance with the provisions of Article 123 of the Consumer Code<sup>7</sup>.

Unless the fact constitutes a more serious crime, a manufacturer who places dangerous products on the market in violation of the provisions of the Consumer Code may be punished by imprisonment of up to one year and a fine ranging from 10,000 euros to 50,000 euros.

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<sup>3</sup> Legislative Decree 70/2003 provides for a series of specific information obligations on the natural or legal person exercising an online activity. In addition, Legislative Decree 70/2003 provides, *inter alia*, the following: (i) commercial communications must contain a specific disclosure showing their nature as commercial communications or promotional offers and the entity on whose behalf they are made; if they are unsolicited commercial communication, the recipient may object at any time to receiving future communications; (ii) the technical steps to be followed in concluding the contract must be clearly indicated and the general terms and conditions must be easily accessible and available; (iii) after the execution of the contract, the provider must acknowledge receipt of the order and summarize the general terms and conditions applicable to the contract and information regarding the characteristics of the good or service. If the offer of goods or services is addressed to consumers, the Consumer Code also applies.

<sup>4</sup> Only the laws and regulations that are deemed potentially relevant considering the business activities performed and the products sold in Italy by the Company are illustrated. Additional or different laws and regulations may apply depending on the products actually sold to Italy.

<sup>5</sup> Articles 102 to 113 shall be replaced by the provisions of EU General Product Safety Regulation No. 988 of 2023 as of December 13, 2024 (the “New Regulation”), when the provisions of New Regulation will be applicable.

<sup>6</sup> According to the Consumer Code, a safe product is defined as any product which under normal conditions of use, or those which may be reasonably expected, does not present any risk or only minimum risks considered acceptable and consistent with a high level of personal health and safety.

<sup>7</sup> i.e., for damages caused by death or personal injury; for the destruction or deterioration of a thing other than the defective product, provided it is of a type normally intended for private use or consumption and so primarily used by the injured party.

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### *Regulation (EU) 2017/1369 — electrical, and electronic products*

Special regulations that operate in derogation from the provisions of the Consumer Code shall apply to certain categories of products (e.g., electrical, and electronic products). All “energy-related products” (e.g. household appliances) placed on the European union market are subject to the Regulation (EU) 2017/1369 of the European Parliament and of the Council setting a framework for energy labelling and repealing Directive 2010/30/EU (the “**Regulation (EU) 2017/1369**”). The Regulation (EU) 2017/1369 provides specific rules about labelling of “energy-related products” and standard product information regarding energy efficiency, the consumption of energy and of other resources by products during use and supplementary information concerning products, thereby enabling consumers to choose more efficient products to reduce their energy consumption.

Pursuant to Italian Legislative Decree no. 104/2012, unless the fact constitutes an offence, in the event of violation of EU Regulation No. 1369 of 2017, the supplier shall be imposed an administrative fine ranging from 500.00 euros to 40,000.00 euros.

### *The Directive 2011/65/EU (“RoHS Directive”) — hazardous substances in electrical and electronic equipment*

Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment is officially known as the RoHS Directive. It restricts the use of certain substances deemed hazardous (e.g., lead, mercury, cadmium) in the production of small and large household appliances and electrical and electronic instruments, in the European Union. In addition, the RoHS Directive requires CE marking and EU Declaration of Conformity before placing electrical and electronic equipment on the market. It aims at certifying that such products comply with the safety requirements imposed by the relevant regulations<sup>8</sup>. The issuance of Directive 2011/65/EU was followed by the issuance of the so-called RoHS2 and, later, RoHS3, which expanded the list of restricted substances for use.

### *The Regulation (EC) 1907/2006 (“REACH”)*

The Regulation (EC) 1907/2006 of European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as last amended in 2022, (the “**REACH**”) has been adopted to improve the protection of human health and the environment from the risks that can arise from chemicals. REACH applies in principle to all chemicals: not only those used in industrial processes, but also those found in items such as furniture and household appliances. Consequently, the restrictions defined in REACH must be monitored as well by manufacturers and distributors of electrical, and electronic products, and furniture items. Under REACH, manufacturers and/or importer are responsible for collecting information on the properties and uses of substances they manufacture or import in quantities of one ton or more per year. They are also required to identify and assess the hazards and potential risks that may result from the substance they produce and market in the European Union. This information must be communicated to European Chemical Agency (“**ECHA**”).

Pursuant to Italian Legislative Decree no. 133 of 2009, the manufacturer or the importer responsible for violations of the provisions of REACH shall be punished by an administrative fine ranging from 3,000 to 90,000 euros or, for the most serious violations, with imprisonment of up to three months and a fine ranging from 40,000 to 150,000 euros.

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<sup>8</sup> It should be noted that, on the other hand, fitness products are subject to CE marking requirements only in cases where they have electrical or electronic components, are equipped with pulleys for weightlifting, or are intended for rehabilitative exercises. Furnishings are not subject to the CE marking requirement, provided they are not motorized and do not contain electrical components.

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### *Regulation (EU) 2019/1020 (the “Market Surveillance Regulation”)*

The objective of the Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products (the “**Market Surveillance Regulation**”) is to ensure that only compliant products that meet the high levels of safety required by the European Union circulate on the European market. Market Surveillance Regulation states that products subject to CE marking requirements (e.g., electronics products) can only be placed on the European market if there is a relevant economic operator established in the UE.

Pursuant to Italian Legislative Decree no. 157 of 2022, unless the fact constitutes an offence, in the event of violation of the obligations provided by Market Surveillance Regulation, the manufacturer, authorized representative, importer or distributor, logistics service provider or any other natural or legal person subject to obligations in connection with the manufacture of the products, their sale on the market or their entry into service in accordance with the relevant Union harmonization legislation shall be imposed an administrative fine ranging from 10,000 euros to 60,000 euros.

### *Regulation (EU) no. 995/2010 (“EUTR”)*

The Regulation (EU) no. 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, also known as “EUTR” (European Timber Regulation) (the “**EUTR**”) establishes the obligations for entities introducing and/or placing wood and wood products (e.g., furniture made of wood) on the European market. It aims to fight the trade in illegally sourced wood by prohibiting its introduction and marketing on the European market. EUTR requires any natural or legal person who first introduces wood or products derived from it within the European market (“**Operator**”) to implement a System of Due Diligence that allow the collection of a range of information on the wood materials the Operator intends to place on the market, carry out an assessment of the risk of their illegal provenance and, where necessary, identify and implement a range of measures to mitigate it.

Pursuant to Italian Legislative Decree no. 178 of 2014, for violation of the provisions of EUTR, the Operator shall be punished by an administrative fine ranging from 300,00 euros to 1.000.000 euros or for the most serious violations with imprisonment of up to one year and a fine of ranging from 2,000 euros to 50,000 euros.

### *Directive 2014/35/EU*

The main purpose of directive 2014/35/EU is to ensure that electrical equipment on the European union market meets requirements that provide a high level of protection for the health and safety of people, pets, and property. In particular, the directive 2014/35/EU indicates a set of IEC/ISO EN technical standards to which manufacturers of electrical products must strictly adhere in order to ensure product safety.

Pursuant to Italian Legislative Decree no. 86 of 2016, violation of the requirements of the Directive 2014/35/EU shall be punished by an administrative fine of ranging from 50 euros to 150 euros for each non-compliant product, in any case not less than 10,000 euros and not more than 60,000 euros.

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### ***Directive 2014/30/EU***

The main purpose of Directive 2014/30/EU is to regulate the compatibility of equipment from the point of view of electromagnetic interference. According to Directive 2014/30/EU, manufacturers of electronic equipment (as defined by the directive) are required to ensure that such equipment has been designed and manufactured in accordance with the essential requirements set out in Annex I to the directive.

Pursuant to Italian Legislative Decree no. 194 of 2007, anyone who places on the European union market or installs equipment that does not comply with the protection requirements of Annex I to the Directive 2014/30/EU shall be subject to an administrative fine of ranging from 4,000 euros to 24,000.00 euros.

### ***Directive 2009/125/UE***

The Directive 2009/125/UE establishes a framework of minimum eco-design requirements that products that consume energy during their use must meet in order to be used and sold in the European Union. Only products that meet these eco-design requirements can be CE-marked and can be marketed in the European Union.

Pursuant to Italian Legislative Decree no. 15 of 2011, anyone who places on the market products without the CE marking or with a counterfeit marking shall be punished, unless the act is provided for as a crime, with an administrative fine from 20,000 euros to 150,000 euros.

### ***Regulation (EU) 1007/2011***

The provisions of Regulation (EU) 1007/2011 are applied to textile products, as well as other products assimilated to textiles (e.g., covers of furniture whose textile parts constitute at least 80 percent) made available on the market of the European Union. In order to provide the most accurate information possible to consumers, the Regulation (EU) 1007/2011 requires that textile and textile-assimilated products may be made available on the European Union market provided they are labeled, marked or accompanied by commercial documents in accordance with the requirements of the Regulation (EU) 1007/2011 itself. Textile products must be labeled or marked to indicate their fiber composition whenever they are made available in the European union market. Only the textile fiber names listed in Annex I of the Regulation (EU) 1007/2011 may be used for the description of fiber composition in the labeling and marking of textile products.

Pursuant to Italian Legislative Decree no. 194 of 2007, the manufacturer or importer who violates the provisions of Regulation (EU) 1007/2011 shall be subject to an administrative fine of ranging from 1,500 euros to 20,000.00 euros; the distributor who violates the provisions of Regulation (EU) 1007/2011 shall be subject to an administrative fine of ranging from 200 euros to 3,500.00 euros.

### ***Directive 94/62/EC***

Directive 94/62/EC has been last amended by Directive (UE) 2018/852 and aims to harmonize national measures concerning the management of packaging and packaging waste and to reduce the impact of packaging and packaging waste on the environment. Directive 94/62/EC requires that packaging placed on the market in the European Union must meet the essential requirements set out in Annex II of Directive 94/62/EC.

Pursuant to Italian Legislative Decree No. 213 of 2022, those who violate the provisions of the Directive (UE) 2018/852 shall be punished with an administrative fine from 1,600 euros to 20,000 euros.



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### *Directive 2012/19/EU*

Directive 2012/19/EU aims to prevent the generation of waste electrical and electronic equipment and promote the reuse, recycling and other forms of recovery of waste electrical and electronic equipment.

Pursuant to Italian Legislative Decree No. 49 of 2014, the manufacturer who violates the provisions of Directive 2012/19/EU shall be punished with an administrative fine from 100 euros to 100,000 euros.

### *Directive 2006/66/EC*

Directive 2006/66/EC has been last modified by Directive (EU) 2018/849 and it prohibits the placing on the market of certain types of batteries and accumulators with a mercury content above a given threshold.

Pursuant to Italian Legislative Decree No. 188 of 2008, manufacturers, importers, exporters and distributors who place batteries and accumulators in the national territory without complying with regulatory compliance obligations may incur administrative fines ranging from a minimum of 50 euros to a maximum of 100,000 euros.

### *Regulation (EC) 528/2012*

Regulation (EC) 528/2012 concerns the making available on the market and use of biocidal products of 22nd May 2012, restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odor products.

Italian Legislative Decree No. 179 of 2021, regulates penalties for marketing biocidal products without a permit or failure to comply with permit conditions, with imprisonment of up to three months and a fine of 516 euros to 5,160 euros.

### **Compliance with Competition Law**

The sale of products in Italy – offline and online – must be made in compliance with European and Italian competition law, even if done by a company with registered office outside the EU. Competition law in Italy prohibits in particular:

- (i) *Agreements and practices in restraint of competition/cartels (Art. 101 TFEU and Art. 2 of Italian law 287/90)*<sup>9</sup>
- (ii) *Abuse of dominant position (Art. 102 TFEU and Art. 3 of Italian law 287/90)*<sup>10</sup>
- (iii) *Abuse of economic dependence (Art. 9 of Italian Law 192/98)*

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<sup>9</sup> Any form of cooperation between independent undertakings that — by object or by effect — prevents, restricts, or distorts competition, irrespective of whether this cooperation is achieved through agreements/formal contracts, informal understandings or exchange of information, also within associations, consortia, and similar entities.

<sup>10</sup> In particular, are considered an abuse of dominant position:

- direct or indirect imposition of unfair selling or purchasing prices,
- (price) discrimination of contractual partners in case of equivalent transactions,
- exclusivity obligations/single branding with the aim of market foreclosure for competitors,
- tying and bundling,
- loyalty rebates having a discriminatory/foreclosure effect,
- refusals to deal, if this substantially weakens competition in the relevant market,
- predatory pricing,
- unfair terms and conditions, if aimed at discrimination or foreclosure.

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Art. 9 of Italian law 192/98 protects in particular small and medium enterprises against unilateral and unexpected termination of the contractual relationship, unilaterally terms and conditions imposed on the weaker contractual partner, or unilateral modifications of contractual terms and conditions, in particular costs and prices and the application of unfair penalties.<sup>11</sup>

The AGCM is competent to investigate any competition infringement in Italy. In case of infringement of the aforementioned antitrust provisions, AGCM can impose fines up to 10% of the worldwide turnover achieved by the undertaking or entity concerned in the last financial year closed before the date of the infringement decision. The 10% limit may be based on the turnover of the group to which the company belongs if the parent of that group exercised decisive influence over the operations of the subsidiary during the infringement period. The AGCM has also a leniency program.

### Compliance with Data Protection Law

Primarily it is worth noting that the application of GDPR turns on whether an organization is established in the European Union ("EU"). An "establishment" may take a wide variety of forms and is not necessarily a legal entity registered in an EU Member State. However, GDPR also has "extra-territorial" effect. For a detailed description of the GDPR please refer to the German Regulatory Overview.

The Italian data protection law framework mainly include, in addition to GDPR, the Italian Legislative Decree no. 196 of 30 June 2003, *Italian Data Protection Code*, as subsequently amended and supplemented, in particular by Italian Legislative Decree no. 101/2018, setting forth provisions on the harmonization of the national laws to GDPR ("**Privacy Code**"). We would like to draw your attention on the following provision:

- minors: for consent to the processing of personal data in relation to the offer of information society services directly to a child, 14 is the minimum age in Italy. Italy has exercised the power set forth in the GDPR which sets 16 as the minimum European standard but allows member states to lower the threshold;
- unsolicited communication: marketing by email, facsimile, MMS or SMS-type messages requires prior recipients' consent (Article 130 of the Privacy Code). Prior consent for marketing by email is not required for recipients who have already purchased similar products or services. In this case, data subjects must be informed that their email address will be used for marketing purposes and that they have the right to object to such processing (e.g., through an opt-out/unsubscribe link at the end of the message). These restrictions also apply in a business-to-business context. A consumer who wishes not to receive unsolicited sales and marketing proposals by phone or by mail can object to such activities by joining a public opt-out register (so called "*Registro Pubblico delle Opposizioni*"). Using the data listed in this register for marketing purposes is allowed subject to strict compliance with specific requirements (e.g. data subject's prior consent within an ongoing relationship that has not expired for more than 30 days or the data subject has not entered in the *Registro Pubblico delle Opposizioni*).

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<sup>11</sup> The following should be considered when evaluating a significant imbalance: the financial means of the supplier, the duration of the relationship and the reliance on the continuation of the same caused by the buyer, the importance of the buyer on the market, market shares and brands, contractual conditions and the business reasons for choosing the buyer, as well as alternative possibilities for the supplier to sell its products.

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- Cookie and other tracking tools: in July 2021 Garante released a new set of guidelines for the use of cookies and other tracking tools which introduce a number of new provisions (applicable as of 9 January 2022 — “**New Cookie Guidelines**”) according to which, *inter alia*: (i) it must be obtained user’s consent before setting non-technical cookies; (ii) users visiting a web site for the first time must be shown a cookie banner to be set up in strict compliance with the requirements under New Cookie Guidelines; (iii) scrolling or swiping a page is not considered a valid mechanism to collect the user’s consent, unless it can be proved that scrolling or swiping of the user is the result of an unequivocal choice; (iv) cookie walls are unlawful; (v) analytics cookies can be used without consent only when it is not possible to single out a data subject; (vi) at least 6 months must elapse before you can show your cookie banner again.

Supervision over the GDPR and the Privacy Code is conducted by the *Garante per la Protezione dei Dati Personali* (“**Garante**”) that has the power to impose administrative fines, as well as the corrective powers provided for by Article 58 (2) of GDPR. In addition to penalties and fines set forth by GDPR, Article 166 of the Privacy Code provides that (i) administrative fines up to Euro 10 million or up to 2% of the total worldwide annual turnover apply to the infringements of the certain provisions of Privacy Code, including, by way of example only, failure to use clear and plain language for the purpose of obtaining valid consent for processing minors’ personal data in relation to the direct offer of services of the information society; (ii) higher administrative fines, up to Euro 20 million or 4% of the total worldwide annual turnover, also apply in case of infringement of certain provisions of the Privacy Code, including, by way of example only, failure to obtain a valid consent for processing minors’ personal data in relation to the direct offer of services of the information society; infringements of certain provisions in the context of electronic communications services. Moreover, any infringement of data protection law may also result in criminal prosecution of individuals<sup>12</sup>.

### Compliance with Intellectual Property Rights Law

Italian Legislative Decree no. 30/2005 (“**Code of Industrial Property**”) regulates, *inter alia*, the registration and protection of trademarks and patents within the Italian jurisdiction, which has been amended and supplemented from time to time in order to implement within the national legislation several EU Directives and Regulations along with few general provisions of the Italian Civil Code, whereas the creation and protection of creative works (including software which under Italian law is not patentable by it is considered as a creative work) are instead regulated by the Copyright Act 633/1941.

The grant of a patent over an invention and the relevant rights conferred by such grant, are governed by article 2584 et seq. of the Italian Civil Code and by Section IV of Chapter II of the Code of Industrial Property. The inventor’s exclusive right to exploit the invention arises only after an application is filed with the Italian Trademark and Patent Office and a patent is actually granted by the same after extensive examination. Trademarks are governed by article 2569 et seq. of the Italian Civil Code and by Section I of Chapter II of the Code of Industrial Property. The two requirements for a registration of a trademark are its distinctive character and novelty.

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<sup>12</sup> The unlawful processing of data, the unlawful communication or disclosure of data related to a relevant number of data subjects and the fraudulent acquisition of personal data (according to Articles 167, 167-bis and 167-ter of the Privacy Code, respectively) are punished, provided that they are carried out intentionally and for the purpose of obtaining profit for themselves or for others. Criminal offences may be punished with imprisonment for a period of 6 months up to one year and 6 months (for unlawful processing of personal data), imprisonment for a period of one year up to six years (for unlawful disclosure and dissemination of personal data), imprisonment for a period of one year up to four years (in case of unlawful acquisition of personal data). More severe criminal sanctions may be provided in specific cases, such as whenever the criminal offence concerns special categories of personal data (e.g. data on health status, religious or political beliefs, sex life).

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The protection of trademarks is granted by their registration before the Italian Patent and Trademark Office ("IPTO"). However, upon certain conditions, also the "*de facto*" user of a sign or expression as a trademark (i.e., a sign or expression not registered but actually utilised to market products or services) is entitled to act in order to defend its rights on such sign against third party's unauthorized use. To register any change in the ownership of industrial property rights or the establishment of security rights in favour of third parties on them, it is necessary to submit an application for a "Transcription" to the IPTO<sup>13</sup>.

### **Compliance with Additional Law and Regulations Under the Italian Law**

#### ***The civil liability of the management under Italian Laws***

The Italian international private Law framework (Italian Legislative Decree no. 218/1995), which is applicable in cross border cases, provides under Article 25 that "*companies, associations, foundations and any other public or private entity including those without associative nature are governed by the Law of the State in which their incorporation took place. However, Italian Law applies if the headquarters of the management is located in Italy, or if the main purpose of such entities is located in Italy*". In principle, for companies based abroad having no business unit located in Italy, the civil and corporate law principles concerning the liability of the board of directors (appointed by the shareholder's or by the By-Laws, so called "*amministratori*") and the senior management team (so called "*direttori generali*" and/or "*figure apicali*") shall not apply.

For sake of completeness, the Italian Law provides a combination of duties, including the compliance with the obligations imposed by the law, the articles of association and the by-laws of the company and, more generally, the diligence required by the duty to manage and represent a company over the directors. Compliance with these obligations contributes to ensure that the company operates properly and carries out its business on a regular basis. The breach of the abovementioned obligations may imply prejudicial consequences both for the company and for third parties (including, but not limited to, creditors and shareholders); for the effect, the director may be held liable for any damage resulting from his or her lack of diligence.

The directors have to fulfil with the duties provided by the law and/or the corporate by-laws using the diligence required by the nature of their office and their specific expertise and operating with full compliance to the technical (as well as legal) rules of good corporate management. Such duties are general in scope and their practical application depends not only on the type and size of the company, but also on the context in which it operates. Under a general standpoint, directors may be held liable for any damage caused through a deliberate act of willful misconduct or gross negligence.

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<sup>13</sup> On a general basis, and subject to specific regulations, a transcription is an administrative act with declarative and not constitutive effect, and therefore, subject to certain exceptions, it is not mandatory and has only a function of legal publicity towards third parties. The following general principles apply to transcriptions: (i) the request for transcription must be presented when it is intended to communicate and render enforceable against third parties the modification or transfer of ownership of an industrial property right; (ii) the agreements and judgements, until they are transcribed, have no effect on unaware third parties who for any reason have acquired and legally retained rights on the industrial property title.

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Article 2395 of the Italian Civil Code provides that *“The provisions of the previous articles shall not exclude the right of a shareholder or a third party who have been directly damaged by the directors’ negligent or willful acts to claim for damages. The action shall be filed within five years from the occurrence of the act that has damaged the shareholder or third party”*. Therefore, the directors and the senior management team may be held liable for damages suffered by third parties, as a result of their willful or negligent conduct. Moreover, as a result of their failure to fulfill their supervisory duties (so called *“culpa in vigilando”*), the board of directors and the senior management team could be held liable for acts of unfair competition committed by the company (jointly with the latter) and be required to indemnify the damage suffered by the company’s competitors. Lastly, as mentioned above, it should be ruled out that the AGCM may impose sanctions directly against the directors of the company.

### *Corporate administrative liability under Italian Legislative Decree no. 231/2001*

Italian Legislative Decree no. 231/2001 (the “Legislative Decree 231/2001”) established corporate liability for crimes committed by individuals in the interest or to the advantage of a legal entity. In particular, the Legislative Decree 231/2001 provides for a form of liability to be borne by legal entities (such as companies) for certain crimes specifically enlisted in the Decree (so-called “predicate offences”) committed in the interest or to the advantage of the entity by (a) individuals who hold the position of representatives, directors or managers of the entity or of one of its organizational units, or by (b) individuals subject to the management or supervision of the latter. A company may be exempt from liability if, prior to the commission of the offence, it has adopted and efficiently enacted an organisational, management and control model aimed at preventing the offences referred to in Legislative Decree 231/2001.

Penalties specifically envisaged by Legislative Decree 231/2001 include pecuniary sanctions<sup>14</sup>, seizure of the “gain” of crime (so called *“confisca”*) and disqualification sanctions<sup>15</sup>.

With reference to the liability of foreign entities in relation to offences committed in Italy, according to prevailing case-law a company is liable for the effects of its conduct irrespective of its nationality or where its head office is located, and of the existence in the country to which it belongs of rules similar to Legislative Decree 231/2001.

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<sup>14</sup> Fines under Legislative Decree 231/2001 are applied in units; each unit ranges from a minimum of Euro 258.00 to a maximum of Euro 1,549.00 (depending on the seriousness of the offence, the size of the company and the implementation of restorative actions). Penalties are applied of not less than a hundred units and not more than a thousand units. Thus, minimum fines (minimum number of units, minimum determination of the unit) amounts to Euro 25,800.00 while maximum penalty to Euro 1,549,000.00 (maximum number of units, maximum determination of the unit).

<sup>15</sup> Legislative Decree 231/2001 envisages the following disqualification sanctions for legal entities: a) ban from exercising the business activity; b) suspension or revocation of authorizations, licenses, or concessions functional to the commission of the offence; c) prohibition to contract with the public administration d) exclusion from facilitations, financing, contributions or subsidies and the possible revocation of those already granted; e) prohibition from advertising goods or services. Disqualification sanctions are applied in relation to offences which provides them expressly, when i) the entity has derived a significant profit from the offence or ii) in case of repetition of the offence.

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The crimes specifically mentioned in Legislative Decree 231/2001 that could be potentially relevant<sup>16</sup> are the following:

- Article 25-*bis*, Legislative Decree 231/2001 — Forgery of money, public credit cards, revenue stamps and instruments or identifying marks: in case of commission of one of the predicate offences enlisted, pecuniary sanction of up to 800 units and disqualification sanctions may be applied.
- Article 25-*bis*.1, Legislative Decree 231/2001 — Crimes against industry and trade: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 800 units and disqualification sanctions may be applied.
- Article 25-*quiquedecies*, Legislative Decree 231/2001 — Tax Crimes: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 500 units and disqualification sanctions may be applied.
- Article 25-*sexiesdecies*, Legislative Decree 231/2001 — Smuggling: in case of commission of one of the predicate offences enlisted, pecuniary sanctions of up to 400 units and disqualification sanctions may be applied.

### LAW AND REGULATIONS RELATED TO OUR BUSINESS IN THE UK

The Company's business in the UK is subject to various legal regulations. Below is an overview of the laws and regulations materially relevant to the Company's business in the UK.

#### The Consumer Protection from Unfair Trading Regulations 2008 (CPRs)

The CPRs is a law that aims to protect customers from deceptive practices in commercial transactions, and prohibits unfair trading practices which includes but not limited to misleading advertising or false information. The comprehensive framework it has established plays an irreplaceable role in protecting consumers from fraudulent or misleading behavior perpetrated by businesses.

##### *Part 2, Prohibitions*

###### *Reg. 3 of Part 2, Prohibition of unfair commercial practices*

Within *Reg. 3*, the law makes clear that a commercial practice is deemed unfair if it violates professional diligence requirements and significantly distorts or is likely to distort the average consumer's economic behavior concerning the product. Furthermore, it also states that, a commercial practice is unfair if it is a misleading action under the provisions of *Reg. 5* or if it is a misleading omission under the provisions of *Reg. 6*.

###### *Reg. 5 of Part 2, Misleading actions*

An action can be classified as misleading action if it contains false information and is untruthful or if it or its overall presentation in any way deceives or is likely to deceive the average consumer (*Reg. 5(2)(a)*) and it causes or is likely to cause the average consumer to take a transactional decision he would not have taken otherwise (*Reg. 5(2)(b)*).

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<sup>16</sup> Only the offences that are deemed potentially relevant considering the business activities performed in Italy by the Company are illustrated.

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## REGULATORY OVERVIEW

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### *Reg. 6 of Part 2, Misleading omission*

A commercial practice is a “misleading omission” if, in its factual context, omits or hides material information, provides material information in a manner which is unclear or ambiguous that causes or is likely to cause the average consumer to take a transactional decision he would not have taken otherwise (*Reg. 6(1)*).

### **Part 3, Offences**

#### *Regs. 8 to 12, Offences relating to unfair commercial practices*

A trader is guilty of an offence if he engages in a commercial practice which is a misleading action under Reg. 5 (*Reg. 9, Part 3, CPRs*); or if he engages in a commercial practice which is a misleading omission under Reg. 6 (*Reg. 10 CPRs*). The CPRs requires corporate bodies must use its professional diligence to monitor the trading of the business.

#### *Reg. 13, Penalties for offences*

A person guilty of an offence under Regs. 8 to 12 shall be liable on summary conviction, to a fine not exceeding the statutory maximum (*Reg.13(a)*); or on conviction on indictment, to a fine or imprisonment for a term not exceeding two years or both (*Reg.13(b)*). In the UK, a summary offence entails a maximum penalty of six months’ imprisonment and/or a fine of £5,000.00. Additionally, the Magistrates Court has the authority to impose sanctions such as bans or community service.

#### *Reg. 14, Time limit for prosecution*

The *Reg. 14* sets out that, no proceedings for an offence under these CPRs shall be commenced after the end of the period of 3 years beginning with the date of the commission of the offence (*Reg.14(1)(a)*); or the end of the period of 1 year beginning with the date of discovery of the offence by the prosecutor (*Reg. 14(2)(b)*), whichever is earlier.

#### *Reg. 15, Offences committed by bodies of persons*

Where an offence under these CPRs committed by a body corporate is proved to have been committed with the consent or connivance of the body (*Reg. 15(1)(a)*), or to be attributable to any neglect on his part (*Reg. 15(1)(b)*), the officer and the body corporate is guilty of the offence and liable to be proceeded against and punished accordingly. *Regs. 15(2)(a)&(b)* made it clear that, an “officer of a body corporate” includes a director, manager, secretary or other similar officer; and a person purporting to act as a director, manager, secretary or other similar officer.

In the UK, a person could be investigated by National Trading Standards or by the Competition and Markets Authority (CMA), but it is for the Crown Prosecution Service to decide if they will bring a claim against the persons in question.

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### ***Schedule 1 of the CPRs, Commercial practices which are in all circumstances considered unfair***

The *Schedule 1, CPRs* lists “31 banned practices” that are deemed unfair in all circumstances, regardless of their effect on consumers. More specifically, “*Using editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in the content or by images or sounds clearly identifiable by the consumer (advertorial)*”, is explicitly banned (*Practice 11, Schedule 1, CPRs, undisclosed advertising*).

### **The Sale of Goods Act 1979 (SoG)**

The SoG 1979 is a legislation in the UK which governs the sale of goods by businesses to consumers. It outlines the rights and obligations of both buyers and sellers in commercial transactions involving goods. The Act covers various aspects such as the implied terms of the contract, the transfer of ownership, and remedies for breaches of contract. It regulates all products purchased, whether by mail order, online or on the high street.

### ***Section 13, Sale by description and Section 14, Implied terms about quality or fitness***

Within the *Ss. 13 and 14*, the Act requires that where there is a contract for the sale of goods by description, the goods will correspond with the description and the goods supplied under the contract are satisfactory quality. Therefore, it is necessary to review the appearance and finish, freedom from minor defects, safety and durability, and a reasonable person would regard as satisfactory, to not be in breach of the *Ss. 13 and 14*.

### ***Section 27, Rules about delivery***

This section requires that the seller has the duty to deliver the goods, and the buyer needs to accept and pay for the item, in accordance with the terms of the contract of sale.

### **General Data Protection Regulation (GDPR)**

The GDPR is described as the most stringent privacy and security law in the world as drafted and passed by the EU, and it imposes obligations onto organisations worldwide so long as they target or collect related to people in the EU. Even though UK has left the EU, the GDPR is retained in domestic law as the “UK GDPR”, but the UK has the independence to keep the framework under review. The UK GDPR” sits alongside an amended version of the Data Protection Act 2018.

Information Commissioner’s Office (ICO), the independent supervisory authority for data protection in the UK, requires that companies handling personal data of UK customers must obey the rule of the data protection.

Any company responsible for using personal data has to follow strict rules called “data protection principles”, and they must make sure the information is: “*used fairly, lawfully and transparently; used for specified, explicit purposes; used in a way that is adequate, relevant and limited to only what is necessary; accurate and, where necessary, kept up to date; kept for no longer than is necessary; and handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing, access, loss, destruction or damage.*”



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For serious breaches of the data protection principles, the ICO clarifies that they have the power to issue fines of up to £17.5 million or 4% of your annual worldwide turnover, whichever is higher. In line with their regulatory action policy, the ICO takes a risk-based approach to enforcement.

### **Financial Regulation**

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) regulate the financial services industry, ensuring stability, consumer protection, and market integrity.

### **Competition Regulation:**

The Competition and Markets Authority (CMA) promotes competition and prevents anti-competitive practices across various sectors of the economy.

## **LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN FRANCE**

### **Statutory Laws**

Our business in France is subject to various legal regulations. Below is an overview of the laws and regulations materially relevant to our business in France. It does not claim to provide a complete and comprehensive presentation of all relevant regulations.

### ***Consumer Rights Compliance***

The French applicable legal provisions largely result from European laws, imposing notably to inform the consumers, and ensuring a high level of protection of the consumers against unfair practices.

#### *Information that must be communicated to consumers*

The consumer must be provided with the mandatory pre-contractual information on the good before conclusion of the contract (Article L.111-1 of the French Consumer Code), including notably the essential characteristics of the good (its substantial qualities, composition, origin, quantity, method and date of manufacture, the conditions of use, its fitness for purpose, its properties), the price of the good (cf. further developments below), its delivery date, and the information pertaining to the identification of the vendor (such as its commercial name, corporate form, geographical address, tax registration number, telephone number and e-mail address). This communication of information is mandatory, and non-compliance with these rules may lead to an administrative fine up to €15,000 (Article L. 131-1 of the French Consumer Code). The consumer must also be informed of its right of withdrawal and the cost of returning the goods (Article L.221-5 of the French Consumer Code). Failing to provide the consumer with this information is punished by an administrative fine of €75,000 (Article L.242-10 of the French Consumer Code). Consumers must also be informed on the applicable legal guarantees (cf. further developments below).

The burden of proof of the communication of all the information mentioned is borne by the seller.

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### *Price discount announcement*

The regulation applicable concerning price discount announcement is the result of the transposition in French national law of the EU Directive 2019/2161 of November 27, 2019 as regards the better enforcement and modernization of Union consumer protection rules. As of May 28, 2022, any announcement of a price discount shall indicate the previous price charged by the seller before the price reduction is applied. It is specified that this previous price corresponds to the lowest price charged by the seller to all consumers during the last thirty days preceding the application of the price reduction. In the event of successive price discounts during a given period, the previous price shall be that applied prior to the application of the first price discount (Article L. 112-1-1 of the French Consumer Code). Any failure to comply with these obligations is subject to two years imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover or 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (Article L.121-2 and L. 132-2 of the French Consumer Code).

### *Unfair commercial practices*

French consumer law is the result of the transposition into French national law of the European Directive 2005/29/EC of May 11, 2005 concerning unfair business-to-consumer commercial practices. French law prohibits, as in other EU Member State, any unfair commercial practice, which materially distorts or is likely to materially distort the economic behaviour of the consumer with regard to the product. In particular, misleading practices are considered as being unfair if they contain false information or in any way, including overall presentation, deceives or is likely to deceive the average consumer, on the nature of the product, its main characteristics, its composition, method and date of manufacture, geographical or commercial origin.

As of May 28, 2022, failure to provide consumers with the following information may constitute a misleading trading practice when it substantially alters or is likely to alter the economic behavior of the consumer: (i) information on the professional or non-professional status of the seller who offers products on an online marketplace, as declared to the operator of this marketplace (Article L. 121-3 of the French Consumer Code); (ii) where applicable, information on whether and how the seller ensures that the comments published on products come from consumers who have actually used or purchased the said products (Article L. 121-3 of the French Consumer Code).

As of May 28, 2022, the following practices constitute misleading trading practices in all circumstances: (i) claiming that comments on products are posted by consumers who have actually used or purchased the said products without having taken the necessary steps to verify it (Article L. 121-4, 27° of the French Consumer Code); (ii) provide or have provided by another legal or natural person false consumer comments or recommendations, or altering consumer comments or recommendations to promote products (Article L. 121-4, 28° of the French Consumer Code).

Any failure to comply with these obligations is subject inter alia to 2-year imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover, calculated on the basis of the last three annual turnovers known on the date of the offence, or to 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (Article L. 132-2 of the French Consumer Code).

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## REGULATORY OVERVIEW

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### *Guarantees due to the consumers*

The consumer benefits from two minimum mandatory guarantees from the professional seller, which cannot be excluded or limited: the legal guarantee of conformity of the goods with the contract and in any case the legal guarantee of hidden defects.

Concerning the legal guarantee of conformity, it is owed by the professional seller who must, in particular, provide goods that conform to the use usually expected of similar goods or that the goods correspond to the seller's description and possess the qualities presented in samples or models, or that the goods have the qualities that a consumer may legitimately expect following the public statements of the seller, producer or representative (advertising, labelling). If this is not the case, the consumer has two years to make a complaint to the seller (Articles L.217-7 to L.217-14 of the French Consumer Code). In case of lack of conformity, the seller must offer the consumer a replacement or repair. The consumer may have the contract rescinded or the price of the goods reduced if the defect is significant and the time taken to replace or repair the goods exceeds one month from the date of the request; or if no other means of remedying the defect is possible. The consumer does not have to bear the costs of replacement, repair, rescission or reduction of the contract.

In addition, the legal guarantee against hidden defects, which is not specific to consumers, benefits to any buyer (Articles 1641 to 1649 of the French Civil Code). The seller is bound by the guarantee for hidden defects in the item sold when these defects make it unfit for the intended use or make it almost impossible to use, and the buyer would not have bought it or would have bought it at a lower price if he had known about these defects. The buyer has 2 years from the discovery of the defect to act and must then choose between returning the item and having the price returned; or keeping the item and having part of the price returned (Article 1648 of the French Civil Code).

### *Compliance with Billing Regulation Between Professionals*

Any purchase of products or provision of services for professional activities is subject to invoicing. The seller is obliged to issue the invoice upon delivery or provision of services. The buyer is required to request it. Both the seller and the buyer must retain a copy of any invoice issued for the duration specified by the applicable provisions of the general tax code. Certain details are mandatory (the names and addresses of the parties, and their billing address if different, the date of the sale or provision of service, the quantity, precise description, and unit price excluding VAT of the products sold and services rendered, as well as any price reduction obtained at the date of sale or provision of services and directly related to that transaction, excluding discounts not specified on the invoice) (Article L.41-9 of the French Code of Commerce). Any failure to comply with the above is subject to an administrative fine not exceeding €375,000 and in case of repeated breaches €750,000 within a two-year period from the date the initial sanction decision becomes final (Article L.41-9 of the French Code of Commerce).

### *Product Compliance*

The Company's product portfolio covers categories including furniture and home furnishings, home appliances, electric tools, consumer electronics, sport and wellness products and others. As a general rule, according to product-related EU and French law, every product must be designed, manufactured and usable in a way that it does not pose unacceptable risks to its user.

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## REGULATORY OVERVIEW

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In addition, electrical and electronic products and equipment sold in the EU and in France must comply with definite technical specifications, specific environmental standards, waste management requirements, eco-design and energy labelling requirements for energy-using products and compatibility requirements in order to avoid inadequate interference with other products (e.g. in terms of electromagnetic compatibility and radio waves). In particular, the following product-related regulations may be relevant to our products: Directive 2014/35/EU (Low Voltage Directive), Directive 2014/30/EU (EMC-Directive), Directive 2014/53/EU (Radio Equipment Directive), Directive 2011/65/EU (RoHS Directive), Directive 2012/19/EU (WEEE-Directive), regulations for batteries and accumulators (e.g. Directive 2006/66/EC), Directive 2009/125/EC (Eco-design Directive), Regulation (EU) 2017/1369 (Energy Labelling Regulation), Directive 2001/95/EC (General Product Safety Directive), Directive 2009/48/EC (Toy Safety Directive), Directive 94/62/EC (Packaging and Packaging Waste), Regulation (EU) No 1007/2011 (Textiles products, Fiber names and related labelling and marking), each as amended, and their French law equivalents including the relevant sections of the Consumer Code and Environmental Code, and other national supplementary regulations or legal provisions, in particular those transposing, implementing and shaping the legal requirements of the European Union. In addition, since 2021, Regulation (EU) 2019/1020 (Market Surveillance Regulation) introduced new provisions that supplement, further develop and strengthen the existing market surveillance concept and the official tasks and competences of market surveillance authorities.

In addition to the above regulations, the general EU legislation of chemical substances (Regulation (EC) No. 1907/2006, REACH) provides for the general obligation to register chemical substances imported or manufactured in the EU on their own, in preparations or in articles. It also provides restrictions or prior authorisations for the presence above certain concentration levels, or the use, of certain substances of very high concern in articles. On June 10, 2022, the European Chemicals Agency updated the list of candidate substances of very high concern for authorisation on its website, which now includes 224 entries. The REACH Regulation which is applicable without the need for transposition into the domestic laws of the EU Member States, will be subject to a revision proposal by the EU Commission by the end of 2022.

The REACH Regulation works in combination with Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures. Furthermore, Regulation (EC) No. 528/2012 on biocidal products and its French law implementation measures restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odour products.

Lastly, to the extent they may be qualified as such, products placed on the French market must comply with Regulation (EC) No 1223/2009 (Cosmetic Products) and/or Regulation (EC) No 648/2004 (Detergents), Regulation (EU) 2017/745 (Medical Devices), Regulation (EC) No 1935/2004 (Food-contact materials) and their implementing regulations. Briefly summarized those aforementioned regulations, amongst others, provide for requirements regarding (i) product properties (e.g. bans or restrictions on substances used to treat, contained in, or released by articles, requirements regarding product construction and design, conformity with technical standards, radio or electromagnetic frequencies or other material product qualities), (ii) product labelling (e.g. regarding product and manufacturer/importer identification domiciled in the European Economic Area, applicable markings, e.g. CE-marking and energy efficiency labelling), (iii) registration and notification obligations (e.g. the obligation to register electronic equipment or batteries/accumulators in public registers and participate in a recycling system), (iv) selective collection and take-back obligations at end of product's life (e.g. taking back electronic equipment or batteries/accumulators), (v) procedural obligations,

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## REGULATORY OVERVIEW

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such as drawing up specific documentation (e.g. technical obligation comprising testing reports, expert opinions and design drawings, declaration of conformity), and (vi) proper instruction and information to users (e.g. user manual, warnings affixed to the product).

Generally, product-related EU and domestic laws are applicable when a product is placed, made available on or imported into the French or European market. In principle, the legally responsible person is the manufacturer, importer, distributor or — as expressly provided for in the Market Surveillance Regulation applicable since 2021 — “fulfillment service provider,” i.e. any natural or legal person offering, in the course of commercial activity, at least two of the services including warehousing, packaging, addressing and dispatching. A product is placed or made available when it is supplied on the French or European market for distribution, consumption or use without the need for a transfer of ownership or possession, or payment, as it is sufficient for the product to be made available or offered (including online distribution) in a way that merely requires acceptance by another person.

Products that do not comply with the aforementioned product compliance requirements cannot be marketed lawfully in France. The enforcement authorities, including customs, are entitled to take appropriate preventive measures when they have reason to suspect that a product does not fulfil these requirements. Such measures include, but are not limited to: (i) prohibiting the exhibition of such product; (ii) ordering that such products be withdrawn or recalled; (iii) seizing such products, destroying or having them destroyed or otherwise rendered unusable and (iv) signaling and informing the network of enforcement authorities of all EU Member States while publicizing this information. Furthermore, non-compliance with product safety regulations is subject to fines (of up to €100,000 per violation). Under certain conditions, non-compliance may also constitute a criminal offense and lead to imprisonment for up to one year. Particularly in the case of damage to life and limb, considerably higher penalties may be imposed.

In case of defective product (i.e. not offering the safety that can legitimately be expected), the Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety shall be observed. The producer/importer is liable even if he has not committed any fault in marketing the product. The person who affixes his trademark is assimilated to the producer (Article 1245-3 of the French Civil Code). The victim has 3 years from the date of knowledge of the defect up to a maximum of 10 years from the date the product was put into circulation to bring an action (Article 1245-15 and 1245-16 of the French Civil Code). The victim may claim damages as compensation for the damage caused by the defect (Article 1245 of the French Civil Code) regardless of the existence of a contract between the producer and the victim.

### ***Compliance with IP Law***

In France, the Intellectual Property Code (“*Code de la Propriété Intellectuelle*” — “CPI”) grants protection for different types of intellectual property rights such as trademarks, patents and utility certificates, and designs.

- Under CPI, a patent grants its owner the right to hinder a third party from making, using, selling, offering for sale, or possessing products or processes using the patented technical invention throughout France or importing the invention into France. France has a “first to file” system which means that the right to a patent for a given technical invention lies with the person who first filed the patent application (regardless of the date the actual invention was made). Another category of intellectual property rights similar to patents are utility certificates, this IP right has a shorter protection than the patent (10 years instead of 20 years) and does not

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## REGULATORY OVERVIEW

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require prior art searches during the application proceedings. CPI and, on an EU level Regulation (EU) 2017/1001 (EU Trademark Regulation), protects trademarks, which may, inter alia, be or consist of words, a logo, sounds, a shape of goods or of their packaging as well as other wrapping, and/or colours and colour combinations.

- The main purpose of a trademark is to identify products and services and to distinguish them from products and services of other companies and/or competitors. CPI protects by means of a design the appearance of a whole or a part of a product resulting from the features of, inter alia, the lines, contours, colours or shape of the product or its ornamentation. On an EU level, Regulation (EC) No 6/2002 (Community Designs Regulation) confers a similar protection in the whole EU territory. Trademark and design rights grant its holder certain exclusive rights with regard to their use on the French and EU market.
- Domain names can be booked in France (.fr) on a "first come first served" basis, under the condition that the applicant proves legitimate interest. In order to constitute prior right the domain name has to be in used for a similar activity.

If intellectual property rights are infringed by third parties, the owner can claim, in particular, injunctive relief, disclosure and compensation for damages. Claims can be brought on the basis of counterfeiting and also unfair competition. When importing goods and rendering services in France, it is highly recommendable to check that goods do not infringe prior IP rights of third parties.

### *Law Regulating Commercial Influence*

A new law was enacted in France on June 9, 2023 [Law no. 2023-451] to regulate the slippages of the influencers on social networks.

The first significant contribution of this law was to define what is meant by "influencer". This point is crucial as it was important to differentiate an influencer from a model or an ambassador. The first article of this law states that any "natural or legal persons who, for a fee, use their reputation among their audience to communicate content to the public by electronic means for the purpose of promoting, directly or indirectly, goods, services, or any cause whatsoever, engage in the activity of commercial influence by electronic means". To fall within the scope of the definition, all the conditions have to be fulfilled, in particular the existence of a counterpart which is essential. This latter may consist of remuneration, a gift of any kind or a visibility exchange. The definition of the influencer is quite broad, and there is no distinction among influencers depending on the size of their community.

The second significant contribution of this law is the obligation for the parties to sign a contract. A written contract between the different parties is now mandatory and shall specify some information including the nature of the missions and the compensation paid, under penalty of nullity. It is also mandatory to mention that the contract is governed by French law, in particular the law dated June 9, 2023 from a threshold of sum or value of the operation. However we have no information as of today on the threshold of the sum of money or value of the operation. This law also states a joint liability between actors (advertisers, agencies and/or influencers), who can be sanctioned due to the actions of an influencer damaging third parties.

Consumer protection is also key in this new regulation : the transparency of content constitutes an essential change for influencers and advertisers. For any promotion of goods or services by a commercial influencer within the meaning of the new law, the wording of

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## REGULATORY OVERVIEW

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“*Publicité*” (i.e. advertising) or “*collaboration commerciale*” (i.e., commercial relationship) shall appear clearly, readably, in any publishing, regardless of whatever the format, and during the entire promotion. Any oversight may be punished with a fine of up to €300,000.

### ***Law Regulating Unfair Competition***

Unfair competition is sanctioned by case law on the ground of the civil liability/tort law (Articles 1240 and 1241 of the French civil code). In such case, an action for damages is brought by a competitor before civil courts.

Three conditions must be met for an economic operator to take this action against a competitor: (1) a fault of a competitor which refers to any practice which is contrary to commercial practice and professional honesty, regardless of whether there is any intention to cause harm; (2) a loss, which refers to any damage suffered by the other competitor that causes a commercial disturbance; and (3) a causal link, which is generally inferred from the fault and the loss.

### ***Data Protection Law***

Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (GDPR) and the German Federal Data Protection Act (BDSG). In addition, the Telecommunication and Telemedia Data Protection Act (TTDSG) does apply and deal with the data protection for the Online Business. According to the so-called market place principle in Article 3 (2) of the GDPR, the GDPR also applies to foreign companies for the processing of personal data of persons located in the EU, insofar as the processing is related to the offer of goods and services or the observation of the data subjects. The relevant connecting factor is the targeting of certain sales and advertising measures to persons located in the EU. The GDPR generally addresses the controller of the data processing regarding the obligations and duties in relation to the processed data, as the data controller is the main legally responsible entity in the context of the GDPR. In the case of an e-commerce platform where a platform operator offers on his platform to sellers and providers of goods and services the possibility to sell, platform operator and sellers usually are either independent controllers (each responsible for their own processing of data) or so-called joint controllers (together responsible for the data processing). Either way — joint or independent controller — the controller must in particular adhere to the GDPR principles for data processing and must ensure the existence of adequate legal bases for data processing as well as the availability of transparent information on the data processing from the customer’s/user’s point of view. Additional obligations and data protection relationships may exist depending on the individual case, for example data processing agreements may exist with payment service providers involved on behalf and according to the data processing directions by any one controller.

#### *GDPR principles*

The GDPR provides various principles that also run through the national regulations and must therefore always be observed. If these principles/requirements are not met and unlawful processing takes place, data subjects can assert their rights under the GDPR and sue for damages. There may also be a threat of proceedings by the supervisory authorities.

Some of the most relevant principles of the GDPR are regulated in Art. 5. Any personal data must always be processed on a legal basis (Art. 5 I a) GDPR), in a transparent manner (Art. 5 I a), Art. 13 GDPR) and with the usage of such data limited to a specific, explicit purpose (Art. 5 I b) GDPR). The personal data that is stored must be kept to a minimum (Art. 5 I c) GDPR) and up-to-date (Art. 5 I d) GDPR), and must

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## REGULATORY OVERVIEW

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be deleted as soon as it is no longer needed for the specified purpose (Art. 5 I e) GDPR). The processing of personal data with/between several parties must be regulated by corresponding data processing agreements like a data processing agreement (Art. 28 GDPR) or a joint controller agreement (Art. 26 GDPR). This also applies for data processing between group companies and affiliates.

The transfer of personal data outside the EU/EEA must meet special requirements. There must either be an adequacy decision by the EU Commission for the country in which the recipient is located or additional guarantees in accordance with Art. 46 GDPR. This also applies for data transfers between group companies and affiliates. If data of European citizens will be stored on the servers in Hong Kong, appropriate guarantees (Art. 46 GDPR) must be in place.

### *Legal consequences of violations of the GDPR*

Any person who has suffered material or non-material damage as a result of an infringement of this Regulation shall have the right to obtain compensation from the controller or processor for the damage suffered. The data subjects may therefore bring an action for damages before the civil courts. In May 2023, the European Court of Justice ruled that no materiality threshold is to be observed and thus also allows for "trivial cases".

In addition to legal action in the civil courts, administrative proceedings can also be brought before the supervisory authorities. These can either carry out an inspection of the company on their own initiative or because someone, e.g. a data subject, has issued a notification. Infringements of the following provisions might be subject to administrative fines up to €10,000,000, or in the case of an undertaking, up to 2 % of the total worldwide annual turnover of the preceding financial year, whichever is higher: (i) the obligations of the controller and the processor pursuant to Articles 8 (child's consent), 11 (processing which does not require identification), 25 to 39 (controller and processor; general obligations, security of personal data as data protection officer) and 42 (certification) and 43 (certification bodies); (ii) the obligations of the certification body pursuant to Articles 42 (certification) and 43 (certification bodies); (iii) the obligations of the monitoring body pursuant to Article 41(4). Infringements of the following provisions might be subject to administrative fines up to €20,000,000, or in the case of an undertaking, up to 4 % of the total worldwide annual turnover of the preceding financial year, whichever is higher: (i) the basic principles for processing, including conditions for consent, pursuant to Articles 5 (principles relating of personal data), 6 (lawfulness of processing), 7 (condition for consent) and 9 (processing of special categories of personal data); (ii) the data subjects' rights pursuant to Articles 12 to 22 (e.g. information; right of access; right to rectification; right to erasure; right to restriction of processing; right to object); (iii) the transfers of personal data to a recipient in a third country or an international organisation pursuant to Articles 44 to 49; (iv) any obligations pursuant to Member State law adopted under Chapter IX of the GDPR; (v) non-compliance with an order or a temporary or definitive limitation on processing or the suspension of data flows by the supervisory authority pursuant to Article 58(2) or failure to provide access in violation of Article 58(1).

Each supervisory authority has the corrective powers to impose a temporary or definitive limitation including a ban on processing. In this case, the data processing that is not lawful in the opinion of the supervisory authority must be stopped accordingly. Depending on the circumstances, this can cause the entire operation of a company to come to a standstill. The supervisory authority may also publish fines and deliberations, which can damage the company's image and reputation.



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Under French law, a risk of criminal sanctions is also incurred for non-compliance with the applicable regulation (Articles 226-16 to 226-24 of French Criminal Code). The maximum sanctions for natural persons responsible are five year's imprisonment and a fine of €300,000. For the legal entity, this is a fine equal to five times that provided for the natural person (Article 131-38 of the French Criminal Code), i.e., €1,500,000, and the additional penalties provided for in 2° to 5° and 7° to 9° of Article 131-39 of the Criminal code, namely: (i) prohibition, permanently or for a maximum of five years, from directly or indirectly exercising one or more professional or social activities; (ii) placement for a period of up to five years, under judicial supervision; (iii) permanent closure, or for a period of up to five years, of the establishments or of one or more of the establishments of the company that were used to commit the incriminated acts; (iv) permanent exclusion from public contracts or exclusion from public contracts for a maximum of five years; (v) prohibition, for a period of up to five years, to issue checks other than those allowing the withdrawal of funds by the drawer from the drawee or those that are certified or to use payment cards; (vi) penalty of confiscation (of movable or immovable property), under the conditions and in the manner provided for in article 131-21 of the French Criminal code; and, (vii) posting of the pronounced decision or its dissemination either by the written press or by any means of communication to the public by electronic means.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### OVERVIEW

Our history can be traced back to September 2010, when our Company, was established in Shenzhen, Guangdong Province, PRC. In May 2015, our Company was converted from a limited liability company into Shenzhen Aukey E-Business Co., Ltd. (深圳市傲基電子商務股份有限公司), a joint stock company with limited liabilities. In March 2024, our Company was renamed as AuGroup Technology Co., Ltd. (傲基科技股份有限公司). Our Company is a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings with export logistics solutions.

### BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

<b>Time</b>	<b>Milestones</b>
2010	Our Company, Shenzhen Aukey E-Business Co., Ltd. (深圳市傲基電子商務股份有限公司), was established in Shenzhen, Guangdong Province, PRC.
2013	We have been recognized as a High-Tech Enterprise (國家高新技術企業) since 2013
2014	Our own brand AUKEY was launched and we started collaboration with Amazon.
2015	The Shares of our Company were quoted on NEEQ in November 2015 <sup>(Note)</sup> .
2017	We were recognized as National E-commerce Demonstration Enterprise (國家級電子商務示範企業) by MOFCOM.
2020	We acquired WESTERN POST (HK) and built an integrated logistics system that gradually covered Europe and the United States.
2021	We were recognized as National Industrial Design Center (國家級工業設計中心) by MIIT.
2022	Our revenue generated from global B2C e-commerce market for furniture and home furnishings exceeds RMB4 billion in 2022. We ranked first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2022.
2023	Our revenue generated from global B2C e-commerce market for furniture and home furnishings exceeds RMB5 billion in 2023. We continued to rank first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2023.

*Note:* Voluntarily withdrawal of quotation on the NEEQ in April 2019.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### CORPORATE DEVELOPMENT OF OUR COMPANY

#### (1) Establishment of our Company

On September 13, 2010, our Company was established as a limited liability company under the laws of the PRC. Upon incorporation, it had a registered capital of RMB0.1 million and was wholly owned by Mr. Lu.

The following are the major shareholding changes of our Company since its establishment. In addition, there are some immaterial shareholding changes among certain minority Shareholders, where special rights were not involved and all the considerations have been settled as of the Latest Practicable Date.

#### (2) Major Shareholding Changes of Our Company Before Conversion into Joint Stock Limited Company

##### (a) Capital increase in February 2012

In February 2012, Mr. Lu, Mr. Ze and Ke’ao Technology subscribed for the registered capital of our Company of RMB2,030,000, RMB1,320,000 and RMB1,550,000 at par value. The consideration was determined after arm’s length negotiations with reference to the then paid-up registered capital of our Company. Upon completion of such capital increase, the registered capital of our Company was increased to RMB5,000,000 and our Company became owned as to 42.60% by Mr. Lu, 31.00% by Ke’ao Technology and 26.4% by Mr. Ze. Ke’ao Technology was owned as to 99% by Mr. Lu and 1% by Mr. Ze at the time of such capital increase.

##### (b) Capital increase from March 2012 to November 2014

In March 2012, Shenzhen Capital Group and Shenzhen Redland subscribed for the registered capital of our Company of RMB833,333 and RMB416,667 at the consideration of RMB20 million and RMB10 million, respectively (“**2012 March Investment**”). Shenzhen Redland is a subsidiary of Shenzhen Capital Group. For further details of 2012 March Investment, see “— Pre-[REDACTED] Investments” below. In November 2014, Times Bole<sup>(1)</sup> subscribed for the registered capital of our Company of RMB837,500 at the consideration of RMB33,500,000, which was fully settled on January 5, 2015.

##### (c) Acting-in-concert arrangement

On March 6, 2015, Mr. Lu and Mr. Ze entered into a concert party agreement, which was later renewed on March 1, 2019, pursuant to which Mr. Lu and Mr. Ze have agreed to, and shall procure those corporations under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company by aligning their votes at the general meetings of our Company.

##### (d) 2015 May Share Transfer

In May 2015, in order to incentivize certain employees of our Group, Ke’ao Technology transferred the registered capital of our Company of RMB922,502 and RMB443,223 to Mr. Lu Songdu (陸頌督) (our former senior management at the time of such share transfer and our current non-executive Director) and Shenzhen Changguo (an employee share ownership platform) at the consideration of RMB930,000 and RMB450,000, respectively (“**2015 May Share Transfer**”).

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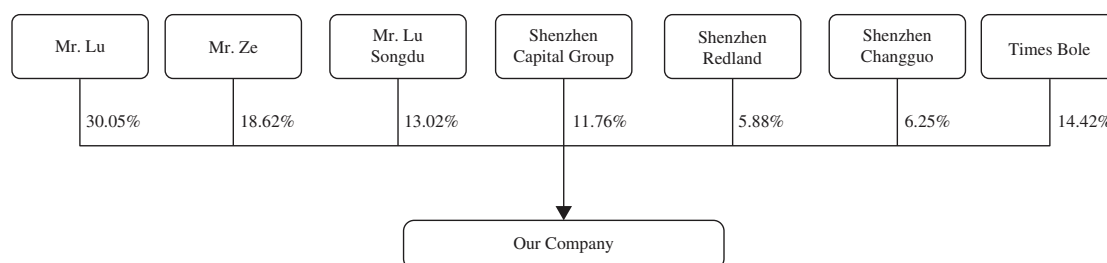
*Note:*

- (1) Times Bole refers to a group of external investors of our Company that were controlled by Shenzhen Hanxin Asset Management Co., Ltd. (深圳市瀚信資產管理有限公司), a professional asset management company which became our shareholder in November 2014 and transferred all of its Shares in our Company to other minority Shareholders during our quotation on the NEEQ.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### (3) Conversion into Joint Stock Limited Company

In preparation of our application for quotation on the NEEQ, and pursuant to shareholders’ resolutions dated May 3, 2015, and a promoters’ agreement dated May 3, 2015 entered into by all the then Shareholders, all promoters of our Company (being all the then Shareholders) approved the conversion of the net assets value of our Company as of March 31, 2015 into 20,000,000 Shares of our Company with a nominal value of RMB1.00 each, with the remaining RMB47,996,863.76 recorded as capital reserves of our Company. On May 25, 2015, our Company was converted into a joint stock company with limited liability and was renamed Shenzhen Aukey E-Business Co., Ltd. (深圳市傲基電子商務股份有限公司) (the “**Conversion**”). The diagram below illustrates our simplified shareholding and corporate structure immediately after the Conversion.



### (4) Quotation on the NEEQ, Major Shareholding Changes and Subsequent Withdrawal of Quotation on the NEEQ

#### (a) Quotation on the NEEQ

To improve the brand awareness and corporate governance of our Company as well as to expand our financial resources, our then Shareholders resolved to apply for the quotation of our Shares on the NEEQ in 2015. On November 16, 2015, our Shares became quoted on the NEEQ under the stock code of 834206.

#### (b) 2017 March Investment

In March 2017, Qingdao GoldStone<sup>(1)</sup> subscribed for 1,500,000 Shares of our Company at the consideration of RMB49,995,000 (“**2017 March Investment**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (c) 2018 July Share Transfer

From July 2018 to September 2018, Gongqingcheng Greenwoods Jing’an acquired a total of 11,858,800 Shares from certain minority Shareholders of our Company on the NEEQ at the total consideration of RMB602,336,000 (“**2018 July Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (d) 2018 August Share Transfer

In August 2018, HongShan Baosheng acquired 5,999,999 Shares from certain minority Shareholders of our Company on the NEEQ at the total consideration of RMB322,319,946 (“**2018 August Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

Note:

(1) In December 2023, Qingdao GoldStone transferred all of the Shares held by it in the Company to CITIC Investment, at the consideration of RMB58,972,364, which was fully settled on December 25, 2023. Both Qingdao GoldStone and CITIC Securities Investment are controlled by CITIC Securities.

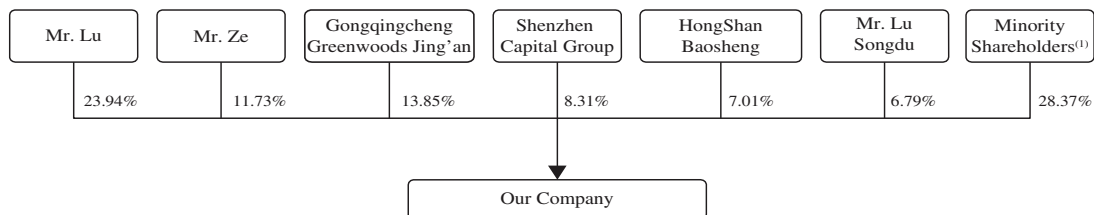
## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### (e) 2018 December Share Transfer

From December 2018 to March 2019, Starquest Fund acquired a total of 3,713,583 Shares from certain minority Shareholders of our Company at the total consideration of RMB199,961,079 (“2018 December Share Transfer”). For further details, see “— Pre-[REDACTED] Investments” below.

### (f) Voluntarily withdrawal of quotation on the NEEQ

On January 13, 2019, considering the then trading condition on the NEEQ, our Board resolved to voluntarily cease the quotation of our Shares from the NEEQ, which was duly approved by our then Shareholders. On April 16, 2019, the Shares ceased to be quoted on the NEEQ (the “NEEQ Withdrawal”). The diagram below illustrates our simplified shareholding and corporate structure immediately after the NEEQ Withdrawal.



Note:

- (1) These 28.37% equity interest in our Company were held by 56 Shareholders, each held less than 5% equity interest in our Company.

During the years which our Shares were quoted on the NEEQ, our Company did not receive any notice from the NEEQ Company alleging any material non-compliance incidents on the part of our Company. Our Company confirms that, to their best knowledge and belief, during the years which our Shares were quoted on the NEEQ, our Company had no instance of non-compliance with the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) and the rules of the NEEQ Company in all material respects and the Sole Sponsor concurs that there is no matter that need to be brought to the attention of the Stock Exchange or the potential investors of our Company in relation to our compliance record on the NEEQ.

The PRC Legal Advisors are of the view that during the years in which our Shares were quoted on the NEEQ, neither our Company and its subsidiaries nor their respective directors, supervisors, and senior management were involved in any material breach of the applicable rules or regulations of the NEEQ and each of the party had not been subject to any material disciplinary actions taken by relevant regulators.

### (5) Previous A Share Listing Applications

Considering the continued growth in the scale of business of our Company and with a view to tapping into capital markets with a boarder investor base, our Company submitted its listing application on the Shanghai Stock Exchange Science and Technology Innovation Board (上海證券交易所科創板) (the “STAR Market”) (the “A Share Listing Application on the STAR Market”) in August 2019. Due to the difference between our core business and the positioning of the STAR Market, in April 2020, we voluntarily withdrew the A Share Listing Application on the STAR Market. Our Company confirms and the Sole Sponsor concurs that there were no other matters related to the A Share Listing Application on the STAR Market which should be brought to the attention of the regulators of the [REDACTED].

In May 2021, our Company submitted its listing application on the ChiNext market of the Shenzhen Stock Exchange (深圳證券交易所創業板) (the “A Share Listing Application on the ChiNext Market”). In the same month, due to the occurrence of the Amazon Incident, we voluntarily submitted an application to withdraw the A Share Listing Application on the

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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ChiNext Market. Our Company confirms and the Sole Sponsor concurs that there were no other matters related to the A Share Listing Application on the ChiNext Market which should be brought to the attention of the regulators of the [REDACTED].

### (6) Pre-[REDACTED] Investments from 2019 to 2022

#### (a) 2019 May Share Transfer

In May 2019, Zhuhai Yinshan acquired 856,500 Shares of our Company from certain minority Shareholders of our Company at the consideration of RMB50 million (“**2019 May Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (b) 2020 December Investment

In December 2020, Midea Fund, Suzhou Cathay Growth, Wuhan Shunying, Wuhan Shunhong, Hainan Hongdao<sup>(1)</sup> and Hongdao Zhixin subscribed for 3,885,000 Shares, 1,143,556 Shares, 1,726,932 Shares, 178,995 Shares, 227,716 Shares and 152,475 Shares at the consideration of RMB101,918,929, RMB30,000,001, RMB45,304,262, RMB4,695,748, RMB5,973,892 and RMB4,000,023, respectively. Our registered capital was increased from RMB381,185,326 to RMB388,500,000 accordingly (“**2020 December Investment**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (c) 2021 September Share Transfer

In September 2021, Shenzhen Capital Group acquired 3,885,000 Shares of our Company from a minority Shareholder of our Company at the consideration of RMB50 million (“**2021 September Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (d) 2021 December Share Transfer

In December 2021, SilkRoad Industrial Investment acquired 500,000 Shares of our Company from a minority Shareholder of our Company at the consideration of RMB10 million (“**2021 December Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

#### (e) 2022 January Investment

In January 2022, we issued 1,554,000 Shares to SilkRoad Industrial Investment at the consideration of RMB40 million. Our registered capital was increased from RMB388,500,000 to RMB390,054,000 (“**2022 January Investment**”). For further details, see “— Pre-[REDACTED] Investments” below.

### (7) 2024 March Share Transfer

In March 2024, Sailvan Times, Wendi Design and Wendi Technology acquired 1,785,532, 4,381,638 and 4,285,276 of our Company, respectively, from certain minority Shareholders of our Company at the consideration of RMB30,000,000, RMB73,619,049 and RMB72,000,001, respectively (“**2024 March Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

### (8) 2024 March Repurchase

In March 2024, the Company repurchased 1,554,000 Shares of the Company from SilkRoad Industrial Investment at the consideration of RMB47,136,438.36, which was determined with reference to the investment cost of SilkRoad Industrial Investment plus 8% annual interest. Such consideration was fully settled on March 20, 2024. Upon completion of the such share repurchase, SilkRoad Industrial Investment still hold 500,000 Shares of our Company.

### (9) 2024 April Share Transfer

In April 2024, NewTrails acquired 4,221,592 Shares of our Company from certain minority Shareholders of our Company at the consideration of RMB70,930,000 (“**2024 April Share Transfer**”). For further details, see “— Pre-[REDACTED] Investments” below.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### CONFIRMATION BY THE PRC LEGAL ADVISORS

Our PRC Legal Advisor confirmed that: except for the 2024 April Share Transfer, (i) all necessary regulatory approvals, permits and licenses required under PRC laws in relation to the share transfers and investments above have been obtained; and (ii) all share transfers and investments above have complied with all applicable PRC laws in all material respects. As confirmed by our PRC Legal Advisor, according to the relevant PRC laws, there is no material PRC legal obstacles to complete the 2024 April Share Transfer.

### APPLICATION FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

We consider Hong Kong a suitable venue for [REDACTED] as our businesses and operations principally located, managed and conducted in the PRC and our markets are primarily in the United States and Europe, and a [REDACTED] in Hong Kong will not only contribute to opportunities for future fund-raising, but also allow more Hong Kong, PRC and international investors to have a better understanding and appreciation of our Group’s business. This will also provide better synergy for us to enhance our corporate profile, brand awareness, corporate governance and shareholder base. The Directors consider a [REDACTED] in Hong Kong will benefit our Company and its Shareholders as a whole.

### OUR KEY SUBSIDIARIES

We conduct our business principally through the following subsidiaries which made a material contribution to our results of operations during the Track Record Period:

Name	Principal business activities	Date of establishment	Place of establishment	Percentage of equity interest held by our Company <sup>(1)</sup>
Aukey International	Overseas settlement and purchasing center	April 2, 2012	Hong Kong, PRC	100%
Shenzhen Westernpost <sup>(2)</sup>	Logistics services specialized in offering medium-to-large goods	January 5, 2021	Shenzhen, PRC	48% <sup>(3)</sup>
Auwin International	Overseas billing and purchasing center	July 23, 2021	Hong Kong, PRC	100%
HK Fanttik	Overseas billing and purchasing center	July 23, 2021	Hong Kong, PRC	70%

*Notes:*

- (1) the equity interest held by our Company in the following subsidiaries remained unchanged during the Track Record Period.
- (2) Shenzhen Westernpost wholly owns our other major subsidiaries, namely WESTERN POST (HK) and WESTERN POST (US), which also engage in logistics services specialized in offering medium-to-large goods.
- (3) Shenzhen Westernpost is wholly owned by WESTERN POST (SG), a holding company and please refer to note 43(b) in “Appendix I — Accountants’ Report” to this document for further details on WESTERN POST (SG) and Shenzhen Westernpost.

### MATERIAL ACQUISITIONS OR DISPOSALS

The Company had no material acquisitions or disposals of subsidiaries during the Track Record Period. For the acquisitions of asset or immaterial subsidiary and the immaterial disposal of equity interest in subsidiary during the Track Record Period, please refer to notes 36 and 43(b) in “Appendix I — Accountants’ Report” to this document.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### PRE-[REDACTED] INVESTMENTS

#### Principal terms of the Pre-[REDACTED] Investments

The table below summarizes the principal terms of the Pre-[REDACTED] Investments:

Relevant Investment	2012	2017	2018	2018	2019	2020	2021	2021	2024	2024
	Investment	Investment	Share Transfer	Share Transfer	May Share Transfer	December Investment	September Share Transfer	December Share Transfer	March Share Transfer	April Share Transfer
Date of investment agreement(s)	February 20, 2012	December 25, 2016	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	May 16, 2019	December 19, 2020	September 31, 2021	December 27, 2021	March 6, 2024, March 11, 2024, March 12, 2024 and March 13, 2024	March 14, 2024
Date of payment in full	May 14, 2012	January 23, 2017	September 13, 2018	August 15, 2018	May 17, 2019	December 22, 2020	September 13, 2021	December 28, 2021	March 22, 2024	[April 30, 2024] (expected)
Amount of registered capital subscribed for/acquired (RMB)	1,250,000	1,500,000	11,858,800	5,999,999	856,500	7,314,674	3,885,000	500,000	10,452,446	4,221,592
Amount of consideration paid (RMB)	30,000,000	49,995,000	602,336,000	322,319,946	50,000,000	191,892,855	50,000,000	10,000,000	175,619,050	70,930,000
Consideration Cost per Share <sup>(1)</sup> (RMB)	0.66	7.75	11.81	12.49	13.58	26.23	12.87	20.00	16.80	16.80
Discount/(Premium) to the H Share (REDACTED) <sup>(2)</sup>	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

At the time of the Pre-[REDACTED] Investments, we were of the view that our Company would benefit from the strategic or financial value that the Pre-[REDACTED] Investors would bring to our business, the additional capital provided by the Pre-[REDACTED] Investors' investments in our Company and their knowledge relevant to our business. Our Pre-[REDACTED] Investors include renowned professional investors, which can provide us with professional advice on our Group's development and improve our corporate governance, financial reporting and internal control.

Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all current Shareholders (including the Pre-[REDACTED] Investors) could not dispose of any of the Shares held by them.



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	2012	2017	2018	2018	2018	2019	2020	2021	2021	2022	2024	2024
Relevant Investment	March	March	March	July	August	December	May	December	September	January	March	April
	Investment	Investment	Share Transfer	Share Transfer	Share Transfer	Share Transfer	Share Transfer	Investment	Share Transfer	Investment	Share Transfer	Share Transfer

**Basis of consideration** The considerations for each round of Pre-[REDACTED] Investments were determined based on arm's length negotiation amongst the respective transaction parties after taking into consideration of the timing of the investments, the status of our business operations and the prospects of the Company.

**Use of proceeds** We utilized the proceeds from the Pre-[REDACTED] Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, the net proceeds from the Pre-[REDACTED] Investments had been fully utilized.

*Notes:*

- (1) Having taken into account our capitalization of reserves in May 2015, August 2016 and July 2020.
- (2) Calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]).
- (3) No investment agreement was entered into among relevant transaction parties as the relevant transactions were conducted on the NEEQ.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### **Rights of the Pre-[REDACTED] Investors**

In connection with the pre-[REDACTED] investments which special rights were granted, such special rights included, among others, (i) pre-emptive right, (ii) information rights and (iii) most favorable treatment, (iv) redemption rights, (v) anti-dilution rights, (vi) right of first refusal and co-sale, and (vii) liquidation preferences. Certain special rights, including redemption rights were terminated prior to our Company’s submission of [REDACTED] to the Stock Exchange for its [REDACTED] of H Shares on the Stock Exchange, provided that the rights so terminated shall resume automatically in certain circumstances, including: (i) the [REDACTED] has been withdrawn or rejected; or (ii) the [REDACTED] does not take place before date as agreed among the relevant parties. In addition, certain Pre-[REDACTED] investors are entitled to subscribe for Shares at [REDACTED] in the [REDACTED] in order to maintain their shareholding ratio immediately before completion of the [REDACTED]. All special rights granted to the Pre-[REDACTED] Investors will cease to be effective prior to the [REDACTED].

### **Compliance with the Pre-[REDACTED] Investment Guidance**

On the basis that (i) the [REDACTED], being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-[REDACTED] Investments; and (ii) the special rights granted to the Pre-[REDACTED] Investors shall cease to be effective and be discontinued upon the [REDACTED] (save for certain special rights which are terminated prior to the submission of [REDACTED] as described above), the Sole Sponsor confirms that the Pre-[REDACTED] Investments are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange in December 2023 (the “**Pre-[REDACTED] Investment Guidance**”).

### **Information about the Pre-[REDACTED] Investors**

#### ***Shenzhen Capital Group***

Shenzhen Capital Group is a limited liability company established in August 1999 under PRC laws, under the sponsorship from the Shenzhen government through the State-owned Assets Supervision and Administration Commission of the State Council and other state-owned investment platforms. To the best of our Directors’ knowledge, Shenzhen Capital Group and its ultimate beneficial owner are Independent Third Parties.

#### ***CITIC Securities Investment***

CITIC Securities Investment is a limited liability established in April 2012 under PRC laws and is primarily engaged in equity investment, which is wholly owned by CITIC Securities (中信証券股份有限公司). To the best knowledge of our Company, CITIC Securities Investment and its ultimate beneficial owner are Independent Third Parties.

#### ***Greenwoods***

Gongqingcheng Greenwoods Jing’an was established as a limited partnership in January 2018 under PRC laws and is primarily engaged in equity investment. Gongqingcheng Greenwoods Jing’an is owned as to approximately i) 98.08% by Shanghai Jinghui Investment Management Center (Limited Partnership) (上海景輝投資管理中心(有限合夥)) (“**Shanghai Jinghui**”) as its general partner; and ii) 1.92% by Mr. Jiang Hengfu (蔣亨福) as its limited partner.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Shanghai Greenwoods Jinghui was established as a limited partnership in March 2015 under PRC laws and is primarily engaged in equity investment. Shanghai Greenwoods Jinghui is held as to approximately i) 0.29% by Shanghai Jinghui as its general partner; ii) 72.17% by Gefei Asset Management Co., Ltd. (歌斐資產管理有限公司) (“**Gefei**”) as its limited partner; iii) 2.92% by Shanghai Gopher Rongze Investment Center (Limited Partnership) (上海歌斐榮澤投資中心(有限合夥)) as its limited partner, an entity controlled by Gefei and iv) 24.62% by seven Independent Third Parties, none of which holds one-third or more of the equity interest in Shanghai Greenwoods Jinghui. Gefei was an indirectly wholly-owned subsidiary of Shanghai Nuoya Investment Management Co., Ltd. (上海諾亞投資管理有限公司) (“**Nuoya Investment**”) which was owned as to 46% and 25% by Ms. Wang Jingbo (汪靜波) and Mr. He Boquan (何伯權), respectively.

Shenzhen Greenwoods Jingying was established as a limited partnership in February 2018 under PRC laws and is primarily engaged in equity investment. Shenzhen Greenwoods Jingying is held as to i) 1% by 深圳景輝諮詢管理合夥企業(有限合夥)(Shenzhen Jinghui Consulting Management Partnership (Limited Partnership)) as its general partner and ii) 99% by 12 Independent Third Parties as its limited partners, none of which holds one-third or more of the equity interest in Shenzhen Greenwoods Jingying.

Each general partner of Gongqingcheng Greenwoods Jing’an, Shanghai Greenwoods Jinghui and Shenzhen Greenwoods Jingying, is ultimately controlled by Mr. Jiang Jinzhi (蔣錦志).

To the best knowledge of our Company, Greenwoods and its ultimate beneficial owner are Independent Third Parties.

### *HongShan Baosheng*

HongShan Baosheng was established as a limited partnership in June 2018 under PRC laws and is primarily engaged in equity investment in private companies. The general partner of HongShan Baosheng is Jiaying HongShan Kunsheng Investment Management Partnership (Limited Partnership) (嘉興紅杉坤盛投資管理合夥企業(有限合夥)) (“**HongShan Kunsheng**”). HongShan Baosheng’s limited partnership interest was held as to approximately 99.69% by Ningbo Meishan Bonded Port Area HongShan Mingsheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉銘盛股權投資合夥企業(有限合夥)) (“**HongShan Mingsheng**”). The general partner of HongShan Kunsheng is Ningbo Meishan Bonded Port Area HongShan Huanjia Investment Management Co., Ltd. (寧波梅山保稅港區紅杉桓嘉投資管理有限公司), which is ultimately controlled by ZHOU Kui (周達). To the best knowledge of our Company, HongShan Baosheng and ZHOU Kui are Independent Third Parties.

### *Starquest Fund*

Starquest Fund was established as a limited partnership in February 2018 under PRC laws and is primarily engaged in new economy investments. Starquest Fund is managed by Starquest Private Equity Investment Fund Management (Shenzhen) Co., Ltd. (星界私募股權投資基金管理(深圳)有限公司) (“**Starquest Private**”). The general partner of Starquest Fund is New Starquest Consulting (Shenzhen) Partnership (L.P.) (新星界諮詢顧問(深圳)合夥企業(有限合夥)) whose general partner is Starquest Private, which in turn is ultimately controlled by Fang Yuan (方遠). Starquest Fund is invested as to 41.3% by China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司) and 40.9% by Shanghai Changpu Enterprise Management Center (Limited Partnership) (上海常璞企業管理中心(有限合夥)) (“**Shanghai Changpu**”) as its limited partners. Shanghai Changpu is in turn invested as to 99.99% by CITIC Securities as its limited partner. To the best knowledge of our Company, Starquest Fund and its ultimate beneficial owners are Independent Third Parties.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Zhuhai Yinshan*

Zhuhai Yinshan was established as a limited partnership in June 2017 under PRC laws and is primarily engaged in equity investment. The general partners of Zhuhai Yinshan are Zhuhai Puyou Investment Consulting Co., Ltd. (珠海普郵投資諮詢有限公司) and GLP (Zhuhai) Equity Investment Management Co., Ltd (普洛斯(珠海)股權投資管理有限公司). Zhuhai Yinshan is ultimately controlled by GLP Pte. Ltd. GLP Pte. Ltd. is a leading global business builder, investor, developer and operator in logistics real estate, data centres, renewable energy and related technologies. To the best knowledge of our Company, Zhuhai Yinshan and GLP Pte. Ltd. are Independent Third Parties.

### *Midea Fund*

Midea Fund was established as a limited partnership in November 2018 under PRC laws and is primarily engaged in equity investment. The executive partner of Midea Fund is Ningbo Meizhi Hechuang Investment Center (Limited Partnership) (寧波美智和創投資中心(有限合夥)) (“**Ningbo Meizhi**”), and the fund manager of Midea Fund is Midea Capital Co., Ltd. (美的創業投資管理有限公司). Midea Fund is owned as to 28.80% by Midea Innovation Investment Co., Ltd. (美的創新投資有限公司) (“**Midea Innovation**”) as its limited partner and 70.19% by other fourteen Independent Third Parties as its limited partners, none of which holds one-third or more of the equity interest in Midea Fund. Both Ningbo Meizhi and Midea Innovation are ultimately controlled by Midea Group Co., Ltd. (美的集團股份有限公司) (stock code: 000333.SZ). To the best knowledge of our Company, Midea Fund and its ultimate beneficial owners are Independent Third Parties.

### *Suzhou Cathay Growth*

Suzhou Cathay Growth was established as a limited partnership in December 2017 under PRC laws and is primarily engaged in equity investment. Suzhou Cathay Growth is owned as to i) 0.4% by Cathay Growth (Suzhou) Business Consulting Co., Ltd. (凱輝成長(蘇州)商務諮詢有限公司) (“**Cathay Business Consulting**”) as its general manager; ii) 68.70% by Jinjiang Cathay Industrial Fund Partnership (Limited Partnership) (晉江凱輝產業基金合夥企業(有限合夥)) (“**Jinjiang Cathay Fund**”) as its limited partner; and iii) 30.90% by remaining 11 limited partners, none of which holds one-third or more of the equity interest. The general partner of Jinjiang Cathay Fund is Cathay Business Consulting, which is ultimately controlled by Mr. Cai Mingpo (蔡明潑).

To the best knowledge of our Company, Suzhou Cathay Growth and its ultimate beneficial owners are Independent Third Parties.

### *Wuhan Shunhong and Wuhan Shunying*

Wuhan Shunhong was established as a limited partnership in April 2018 under PRC laws and is primarily engaged in equity investment. The general partner of Wuhan Shunhong is Wuhan Shuncheng Equity Investment Partnership (Limited Partnership) (武漢順承股權投資合夥企業(有限合夥)) (“**Wuhan Shuncheng**”). The general partner of Wuhan Shuncheng is Wuhan Shunchuang Equity Investment Management Co., Ltd. (武漢順創股權投資管理有限責任公司) (“**Wuhan Shunchuang**”), which in turn is owned as to 34% by Ms. Ma Wenjing (馬文靜), 33% by Ms. Cao Liping (曹莉平) and 33% by Mr. Lei Jun (雷軍).

Wuhan Shunying was established as a limited partnership in April 2018 under PRC laws and is primarily engaged in equity investment. The general partner of Wuhan Shunying is Wuhan Shuncheng. The general partner of Wuhan Shuncheng is Wuhan Shunchuang.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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To the best knowledge of our Company, Wuhan Shunhong, Wuhan Shunying and their ultimate beneficial owners are Independent Third Parties.

### *Hainan Hongdao and Hongdao Zhixin*

Hainan Hongdao was established as a limited liability company in November 2015 under PRC laws and is primarily engaged in equity investment. Hainan Hongdao is owned as to 70.00% by Mr. Sun Jiandong (孫建冬) and 30.00% by Mr. Han Xiao (韓笑).

Hongdao Zhixin was established as a limited partnership in January 2018 under PRC laws and is primarily engaged in equity investment. Hongdao Zhixin is owned as to i) 0.80% by Hainan Hongdao as its general partner; ii) 36.19% by Ms. Ma Shufen (馬淑芬) as its limited partner; and iii) 63.01% by remaining 18 limited partners, none of which holds one-third or more of the equity interest.

To the best knowledge of our Company, Hainan Hongdao, Hongdao Zhixin and their ultimate beneficial owners are Independent Third Parties.

### *SilkRoad Industrial Investment*

SilkRoad Industrial Investment was established as a limited partnership in August 2017 under PRC laws and is primarily engaged in equity investment. SilkRoad Industrial Investment is owned as to i) 0.50% by Zhejiang SilkRoad Fund Management Co., Ltd. (浙江絲路產業基金有限公司) (“**SilkRoad Fund**”) as its general partner; ii) 35.80% by Zhejiang United Investment Group (浙江民營企業聯合投資股份有限公司) (“**ZUIG**”) as its limited partner; iii) 63.70% by remaining six Independent Third Parties as its limited partners, none of which holds one-third or more of the equity interest. SilkRoad Fund is controlled by ZUIG which is ultimately owned by a group of diversified institutional and individual investors (save as 40% of the equity interest of ZUIG held by Chint Group Co., Ltd. (正泰集團股份有限公司), none of the remaining shareholders of ZUIG owns more than one-third or more equity interest in ZUIG therein).

To the best knowledge of our Company, SilkRoad Industrial Investment and its ultimate beneficial owners are Independent Third Parties.

### *Wendi Technology and Wendi Design*

Each of Wendi Technology and Wendi Design was established as a limited liability company in July 2021 under PRC laws and is primarily engaged in software and information technology services. Each of Wendi Technology and Wendi Design is wholly owned by DR Investment (Zhuhai) Co., Ltd., (迪阿投資(珠海)有限公司) (“**DR Investment**”). DR Investment is owned as to approximately i) 95% by Ms. Lu Yiwen (盧依雯) and ii) 5% by Mr. Zhang Guotao (張國濤) (the spouse of Ms. Lu Yiwen). To the best knowledge of our Company, Wendi Technology, Wendi Design and their ultimate beneficial owners are Independent Third Parties.

### *Sailvan Times*

Sailvan Times is a joint stock company which was established in May 2012 under PRC laws and listed on ChiNext of Shenzhen Stock Exchange in July 2023 (stock code: 301381.SZ), which is Independent Third Party.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *NewTrails*

NewTrails was established as a limited liability company in March 2024 under the Hong Kong laws and is primarily engaged in equity investment. NewTrails is wholly owned by NEWTRAILS CAPITAL, L.P which in turn is owned as to 34.86% by Transsion Technology Limited and 65.14% by the remaining four shareholders none of which held over one-third or more equity interest. Transsion Technology Limited is indirectly wholly owned by Shenzhen Transsion Holdings Co., Ltd. (深圳傳音控股股份有限公司) (688036.SH). To the best knowledge of our Company, NewTrails and its ultimate beneficial owners are Independent Third Parties.

### **Public Float**

The [REDACTED] Domestic [REDACTED] Shares that will not be converted into H Shares, representing approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised), will not be considered as part of the public float as such Domestic [REDACTED] Shares will not be converted into H Shares and will not be [REDACTED] following the completion of the [REDACTED].

Of the [REDACTED] H Shares to be converted from Domestic [REDACTED] Shares and [REDACTED] on the Stock Exchange following the completion of the [REDACTED]:

- (a) [REDACTED] of such H Shares, representing approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised), will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED] as such shares are being held by our Single Largest Shareholders Group, Yueqing Aoji Growth V, Yueqing Aoji Growth VIII, Yueqing Aoji Growth IX, Yueqing Ao X and certain individual Shareholders, the core connected persons of our Company; and
- (b) [REDACTED] of such H Shares, representing approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED] as such remaining Shareholders are not core connected persons of our Company upon [REDACTED] nor accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons.

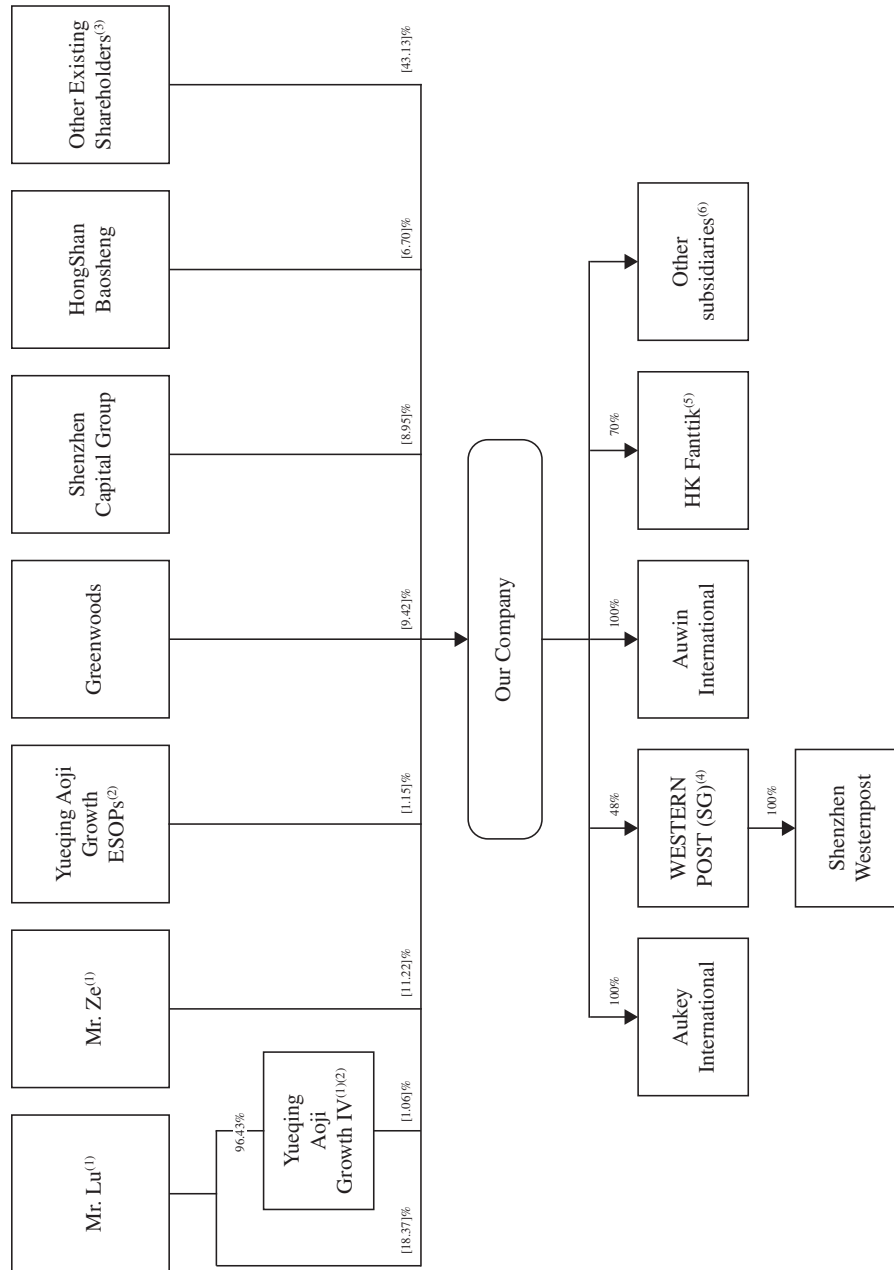
Taking into consideration of the H Shares to be issued pursuant to the [REDACTED], the public float of our Company will be approximately [REDACTED]% upon [REDACTED] (assuming the [REDACTED] is not exercised).

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE

Corporate structure immediately before completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately before completion of the [REDACTED]:



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

*Notes:*

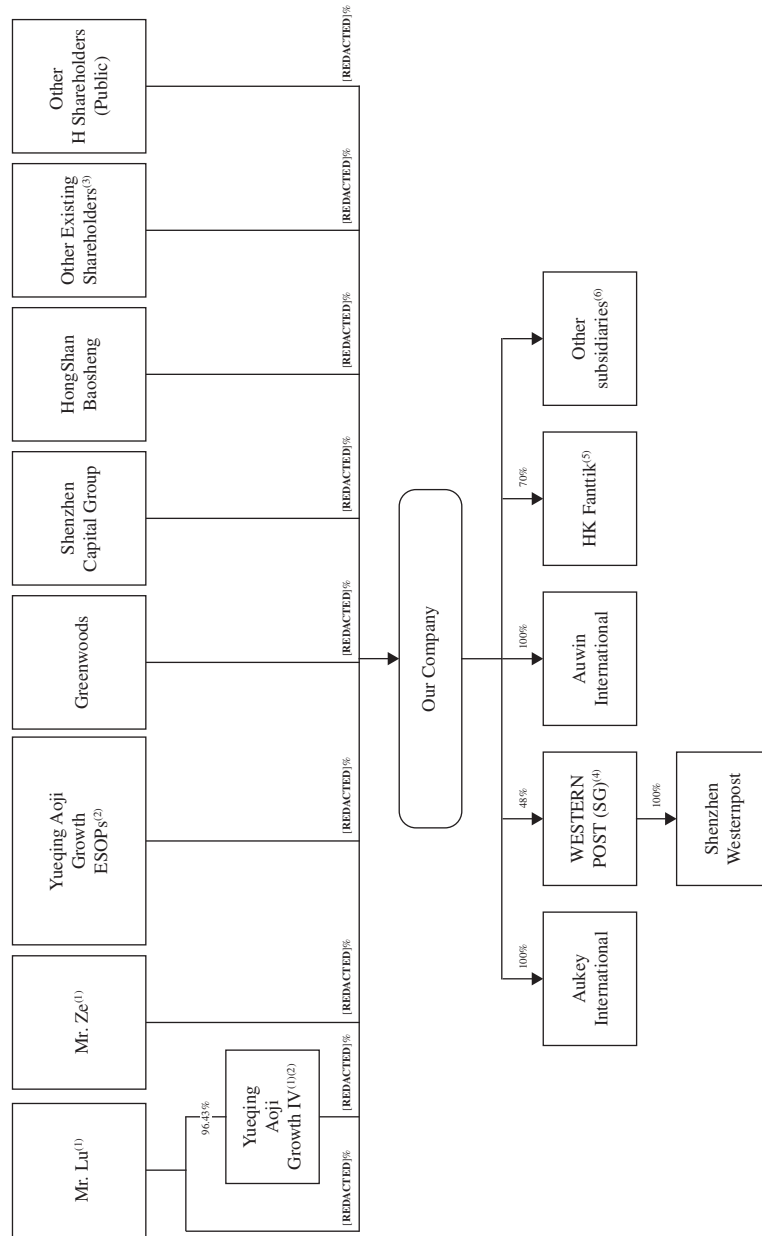
- (1) Mr. Lu, Yueqing Aoji Growth IV and Mr. Ze are Single Largest Shareholders Group, see “Relationship with Our Single Largest Shareholders Group” for further details.
- (2) From 2015 to 2020, our Company has adopted and terminated various employee incentive plans. As of the Latest Practicable Date, Yueqing Aoji Growth IV and Yueqing Aoji Growth ESOPs (the “Aoji ESOPs”) were a group of employee shareholding incentive platforms that still exists, Shares of which have all been vested. Among all the [REDACTED] H Shares held by Aoji ESOPs to be converted from Domestic [REDACTED] Shares, only [REDACTED] H Shares held by Yueqing Aoji Growth VI, representing [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised) will be counted towards public float as only Yueqing Aoji Growth VI is not a core connected person of the Company.
- (3) [Immediately before completion of the [REDACTED]], the remaining [43.131% equity interest in our Company were held by a total of 97 Shareholders. Please refer to “Share Capital — Upon the Completion of the [REDACTED]” for details of Other Existing Shareholders. [Immediately after completion of the [REDACTED]], the remaining [REDACTED]% equity interest in our Company were held by a total of 97 Shareholders, among which [REDACTED] H Shares to be converted from Domestic [REDACTED] Shares, representing [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised) will be counted towards public float.
- (4) As of the Latest Practicable Date, the remaining 52% equity interest of WESTERN POST (SG) was owned as to i) 18% by Shenzhen Leyou Technology Limited (深圳市樂郵科技有限公司) (“Shenzhen Leyou”), ii) 18% by Shenzhen Ruisi Enterprise Management Partnership (Limited Partnership) (深圳市睿思企業管理合夥企業(有限合夥)) (“Shenzhen Ruisi”) and iii) 16% by Shenzhen Xiyou Zhicang Management & Consulting Partnership (Limited Partnership) (深圳市西郵智倉管理諮詢合夥企業(有限合夥)) (“Shenzhen Westempost LP”), each of Shenzhen Leyou, Shenzhen Ruisi and Shenzhen Westempost LP is an Independent Third Party, other than being a substantial shareholder of WESTERN POST (SG) as described above.
- (5) As of the Latest Practicable Date, the remaining 30% equity interest of HK Fantik was owned by Mr. Du Bo (杜波), an Independent Third Party, other than being a substantial shareholder of HK Fantik as described above and a director or chief executive of HK Fantik or its subsidiaries.
- (6) Other subsidiaries include subsidiaries providing warehousing and logistics services, marketing and various subsidiaries operating seller stores on third-party e-commerce platforms.



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Corporate structure immediately following completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:

(1)-(6) See the respective notes under “Corporate Structure Immediately Before Completion of the [REDACTED].”

## BUSINESS

### OVERVIEW

#### Our Position

A world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings with export logistics solutions.

#### Our Mission

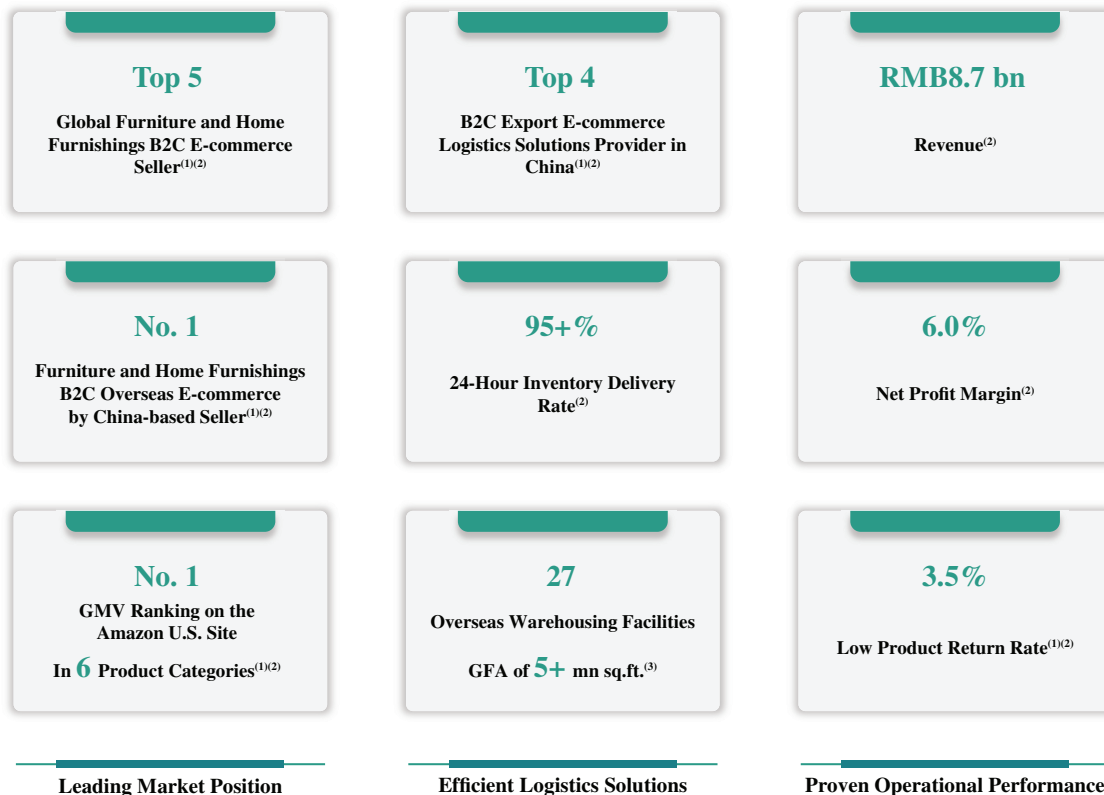
Connect the world for a better life.

#### Our Vision

Let the world fall in love with our offerings.

#### Who We Are

We are a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings. We offer consumers an enjoyable lifestyle experience across a broad range of “home and life” scenarios leveraging robust supply chain management and efficient logistics solutions.



*Notes:*

- (1) According to Frost & Sullivan
- (2) In 2023
- (3) As of December 31, 2023

## BUSINESS

### *Brand and Product Portfolio*



We specialize in furniture and home furnishings under popular brands such as ALLEWIE, IRONCK, LIKIMIO, SHA CERLIN, HOSTACK and FOTOSOK. In 2023, 11 of our brands each had over RMB100 million and we ranked first in six categories in terms of GMV on the Amazon U.S. site, including bed frames, food cabinets, vanity tables and vanity benches, bookcases, buffet tables and sideboards as well as refrigerators according to Frost & Sullivan. Our product portfolio also includes electric tools, home appliances, consumer electronics and sports and wellness products. We had a market share of over 10% in ten categories, namely bed frames, beds, refrigerators, dressers and chests of drawers, food cabinets, bookcases, vanity tables and vanity benches, buffet tables and sideboards, power screwdrivers and pressure washer hose reels, on the Amazon U.S. site, in terms of GMV in 2023, according to the same source. We primarily provide products to consumers via third-party e-commerce platforms such as Amazon, Walmart and Wayfair in overseas markets, including the U.S. and Europe. These markets are well known for strong consumer purchasing power and high e-commerce penetration. Benefiting from diverse offerings, brand equity and strategic market positioning, we have continuously enhanced our competitiveness.

### *Supply Chain Management and Product Development Capabilities*

Our supply chain capabilities help us rapidly develop diversified products while maintaining product quality. As of December 31, 2023, we worked with 810 manufacturing partners. Such collaborations allow us to efficiently respond to evolving market demand and offer diverse products across industries. Our digitalized supply chain management systems facilitate stringent quality control. As a result, we had an average return rate below 3.5% across all third-party e-commerce platforms in 2023, ranking among the industry's lowest range, according to Frost & Sullivan.

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## BUSINESS

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We are committed to addressing customer needs with continual product development efforts. As of the Latest Practicable Date, we held 630 patents, 180 patent applications and 171 software copyrights, with 68 international design awards received. Our industrial design innovation lab has been accredited as the National Industrial Design Center by MIIT since 2021 and the Guangdong Provincial Engineering Technology Research Center since 2020 in China.

Robust supply chain management and product development capabilities are integral to our cost management. We are committed to innovation in our product design and development. We explore utilizing novel materials that are compatible with different types of furniture and optimize furniture structure to reduce package volume and weight, thereby reducing our procurement and logistics costs to sustain competitive pricing.

### *Logistics Solutions Focusing on Medium-to-Large Goods*

In addition to providing logistics for our own e-commerce business, through Shenzhen Westernpost, a subsidiary of our Company, we provide efficient one-stop logistics solutions to customers who are primarily e-commerce sellers. Our solutions include domestic consolidation, first-mile international freight services, overseas transit, overseas warehousing and order dispatch. During the Track Record Period, we provided logistics solutions to an aggregate of over 700 e-commerce companies, fulfilling over three million, four million and six million orders, respectively, in 2021, 2022 and 2023. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan.

Combining our industry insights and Shenzhen Westernpost's experience in logistics solutions, we have established a global multi-tier warehousing and logistics network and developed proprietary logistics solution management systems. As of December 31, 2023, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany). Our proprietary logistics solution management systems include a smart restock and segregation system, a WMS, a TMS and an OMS, managing and optimizing all key stages of the logistics chain.

Leveraging an integrated supply chain, digitalized management systems and extensive and sophisticated warehousing network, we have tackled the pain points of high costs and long delivery time associated with logistics solutions for medium-to-large goods. As a result, we are able to provide a cost-effective logistics solutions for medium-to-large goods at a price 30% lower than that of FBA. In 2023, over 95% of orders fulfilled by Shenzhen Westernpost for medium-to-large goods such as furniture were delivered to last-mile fulfillment service providers within 24 hours after placement of orders, representing an industry-leading logistics efficiency, according to Frost & Sullivan.

### *Proven Business Capabilities and Strong Resilience*

Founded in 2010, we rapidly emerged as a leading market participant in China's B2C overseas e-commerce market with popular brands, according to Frost & Sullivan. We were primarily engaged in sales via third-party e-commerce platforms, including Amazon. In 2021, our business was negatively impacted by Amazon's investigation into the past usage of Unofficially Promoted Ratings or Reviews by certain employees of our Group. As a result, our revenue decreased by 21.7% from RMB9,071.2 million in 2021 to RMB7,100.2 million in

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## BUSINESS

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2022. In 2021, we had a net loss of RMB589.9 million. After finding out about some of our employees’ involvement in Unofficially Promoted Ratings or Reviews, we promptly demanded the cessation of such practices, conducted inspections of our online stores and implemented enhanced internal control measures. See “— Marketing and Promotion — The Amazon Incident.”

To alleviate the impact of the Amazon Incident, we optimized our online store network and refined our brand strategy for better management and resource allocation, enhancing operational efficiency. Specifically, we have focused on furniture and home furnishings and devoted substantial time and resources to cultivating a diverse brand and product portfolio. We have also built our presence on other leading e-commerce platforms such as Walmart and Wayfair. This approach has resulted in a rapid recovery in overall financial performance. Our revenue increased by 22.3% from RMB7,100.2 million in 2022 to RMB8,683.0 million in 2023. We had a net profit of RMB223.2 million in 2022 and RMB520.1 million in 2023, signaling a robust rebound from the Amazon Incident.

Leveraging our established strengths in product development, supply chain management, efficient logistics systems and efficient operation, we aim to continuously optimize our brand and product portfolio to respond to consumer demand under refined operation and management and let the world fall in love with our offerings.

### OUR STRENGTHS

#### **World-leading e-commerce brand operator specializing in furniture and home furnishings**

We are a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings. Our brands, such as ALLEWIE, IRONCK, LIKIMIO, SHA CERLIN, HOSTACK and FOTOSOK, are globally recognized and have amassed a wide consumer base. In 2023, 11 of our brands each had over RMB100 million in GMV. According to Frost & Sullivan, in 2023, we ranked fifth in the global B2C e-commerce market for furniture and home furnishings in terms of GMV, and first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV.

We have strategically specialized in the furniture and home furnishings market, which is one of the fastest growing B2C e-commerce markets and generally has a lower return rate, according to Frost & Sullivan, allowing us to enjoy advantages in cost control, inventory management and operational efficiency. According to Frost & Sullivan, in terms of GMV, the global B2C e-commerce market size for furniture and home furnishings is expected to increase from USD325.8 billion in 2023 to USD588.5 billion in 2028, with a CAGR of 12.6%, and the GMV of China-based sellers in the B2C overseas e-commerce market for furniture and home furnishings is expected to increase from RMB773.8 billion in 2023 to RMB1,604.8 billion in 2028, with a CAGR of 15.7%. We have established a strong presence in the furniture and home furnishings market. We ranked fifth in the global B2C e-commerce market for furniture and home furnishings and first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2023, according to Frost & Sullivan. Benefiting from continuous innovation, strong supply chain management and efficient logistics solutions, especially those for medium-to-large goods, we believe we are well positioned to keep seizing market potential.

Leveraging our leadership in the furniture and home furnishings market and logistics capabilities for medium-to-large goods, we achieved solid financial performance during the Track Record Period. Our revenue increased by 22.3% from RMB7,100.2 million in 2022 to RMB8,683.0 million in 2023.

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## BUSINESS

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### **Market-oriented product development and continuous innovation empowering diverse product offerings**

Our product development capabilities, as the cornerstone of our continuous product innovation, are well recognized. As of the Latest Practicable Date, we received 68 prestigious international design awards, including the iF Design Award, the Red Dot Design Award, the Guangdong Provincial Award of Excellence and the Red Star Award. We also operate an industrial design innovation lab, which has been accredited as the National Industrial Design Center since 2021 and the Guangdong Provincial Engineering Technology Research Center since 2020 in China.

We are dedicated to product development and innovative design to optimize consumer experience and enrich our product portfolio to address market demand. For example, we have updated the design of drawers under beds and adopted a type of directional wheel pad to address the common issue of wheel installation, which traditionally necessitates the addition of multiple wooden slats. This design eliminates the need for two slats on the bottom of each drawer, reduces production cost, streamlines production and makes it easier for consumers to assemble the beds. We have also refined our bed design to enhance packaging efficiency and lower logistics costs, allowing for more beds to be accommodated within a single container. As of the Latest Practicable Date, we held 630 patents, 180 patent applications and 171 software copyrights.

We have teams that oversee the operation and execution of their responsible product categories, enabling us to swiftly act in product selection, design and marketing to address ever-evolving market needs as well as leveraging their differentiated expertise and market acumen. We also encourage healthy competition among the teams to foster innovation. We believe such approach enables flexible management control and refined execution. Our sales and marketing team monitors market trends in real time, promptly identifying evolving consumer demands across diverse regions, promoting innovative and differentiated products to consumers and providing insights for product development efforts.

### **Strong digitalized supply chain management underpinning efficient operation**

Our supply chain, including rapid prototyping, close relationship with manufacturing partners and a strategically designed warehousing and logistics network, is key to the success of our business. As a result, we are able to bring new products from the design stage to trial production in fewer than 40 days and have them delivered to end consumers within fewer than 50 days after trial production, which greatly exceeds the industry norm of over 45 days and 90 days in these processes, respectively, according to Frost & Sullivan.

Collaborations with quality suppliers allow us to respond to evolving market needs and tailor our offerings to consumers across the world. We select suppliers based on a comprehensive assessment of factors including quality, production or delivery capacity, pricing, location, qualifications, reputation and delivery schedule. Meanwhile, we regularly conduct supplier evaluation, control the cost of raw material and continuously optimize our supplier portfolio.

We have digitalized supply chain management systems, facilitating quality control, ensuring efficient operations and supporting data-driven decision-making. With real-time data on sales orders, customer feedback and other critical information, we can swiftly coordinate with manufacturing partners and respond to consumer demand. We also share selected data with manufacturing partners to direct their production and quality control.

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## BUSINESS

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Benefiting from our supply chain management capabilities, stringent quality control and digital technology, we had an average return rate below 3.5% across all third-party e-commerce platforms in 2023, ranking among the industry's lowest range, according to Frost & Sullivan.

### **Diverse, quality and competitive product offerings**

On the back of our product development and supply chain capabilities, we are continuously enriching and optimizing a diverse brand and product portfolio in the furniture and home furnishings market. Our offering of furniture and home furnishings primarily consists of beds, bookcases, dressers, chests of drawers, vanity tables and vanity benches, food cabinets, sideboards, sofas and outdoor furniture featuring a wide range of styles including classic, contemporary, industrial and minimalist. Our offerings also include electric tools, home appliances, consumer electronics and sports and wellness products.

We have implemented stringent quality control measures to ensure product quality. We require ISO quality certification of potential suppliers' factories as part of our supplier selection process and implement quality control measures during the entire production process under all product categories. In addition, we uphold a "zero-tolerance" quality control policy. Once a quality issue is identified, we promptly initiate investigation and rectification and suspend the relevant project if necessary. We believe these measures help us consistently deliver high-quality and trustworthy products and maintain customer satisfaction. In 2023, we had an average return rate below 3.5% across all third-party e-commerce platforms, ranking among the industry's lowest range, according to Frost & Sullivan. To further promote consumer satisfaction and collect market feedback, we set up dedicated teams to provide consumers with timely after-sales services across time zones.

We offer quality products at competitive prices by coordinating product development and supply chain management. We explore utilizing novel raw materials that are compatible with different types of furniture and optimize furniture structure to reduce package volume and weight, thereby reducing the procurement and logistics costs to offer competitive prices.

Our revenue increased by 22.3% from RMB7,100.2 million in 2022 to RMB8,683.0 million in 2023. We ranked first in six categories in terms of GMV on the Amazon U.S. site in 2023, including bed frames, food cabinets, vanity tables and vanity benches, bookcases, buffet tables and sideboards as well as refrigerators according to Frost & Sullivan. We had a market share of over 10% in ten categories, namely bed frames, beds, refrigerators, dressers and chests of drawers, food cabinets, bookcases, vanity tables and vanity benches, buffet tables and sideboards, power screwdrivers, as well as pressure washer hose reels, on the Amazon U.S. site, in terms of GMV in 2023, according to the same source.

### **Global warehousing and logistics capabilities tailored for medium-to-large goods**

We have established a global warehousing and logistics network through Shenzhen Westernpost to provide customers with one-stop solutions. As of December 31, 2023, under Shenzhen Westernpost, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan.

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## BUSINESS

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Our efficient one-stop logistics solutions include domestic consolidation, first-mile international freight services, overseas transit, overseas warehousing and order dispatch. We have fostered collaborations with renowned third-party logistics solutions providers. For example, we have worked with COSCO Shipping, one of the world's largest shipping companies, to establish warehousing and logistics facilities and provide customers with logistics solutions. We have also formed close collaborations with leading logistics solutions providers including DHL and GLS with favorable terms, enabling us to offer logistics solutions, especially those for medium-to-large goods, at competitive prices.

We tackle the pain points of high costs and long delivery time associated with logistics solutions for medium-to-large goods. Leveraging our industry expertise, we have established a global multi-tiered warehousing and logistics network that is tailored to medium-to-large goods. This approach not only helps control the cost of delivery for medium-to-large goods, but also increases logistics efficiency, thereby enhancing consumer experience. We have expanded our fulfillment capabilities to ensure nationwide delivery across the U.S. for areas within a 300-mile radius from the point where the delivery commences. In 2023, over 95% of orders placed with Shenzhen Westernpost for medium-to-large goods such as furniture were delivered to last-mile fulfillment service providers within 24 hours after placement of orders, representing an industry-leading logistics efficiency, according to Frost & Sullivan.

We have developed proprietary logistics solution management systems, including a smart restock and segregation system, a WMS, a TMS and an OMS, to manage and optimize all key stages of the logistics chain. This enables us to offer efficient and reliable logistics solutions. In 2023, our inventory accuracy rate was over 99.9%, representing an industry-leading level according to Frost & Sullivan.

Our global logistics capabilities, especially those for medium-to-large goods, have contributed to our expansion in the furniture and home furnishings market. We use flexible delivery options to satisfy diverse shipping needs, combining in-house logistics capabilities, third-party logistics solutions and e-commerce platform logistics services. This approach allows us to maintain the scalability of our business while effectively reducing cost of logistics.

### **Visionary management team and efficient organizational structure fueling long-term development**

Our core management team, which has strong market expertise and in-depth industry insights, is key for us to thrive. Our founders, Mr. Lu and Mr. Ze, both have nearly 20 years of experience in e-commerce. With decades of business acumen, Mr. Lu and Mr. Ze have led us through a number of major strategic business transformations to nimbly adapt to market changes. Other members of our core management team are also experienced in e-commerce, averaging 15 years of industry experience. With the leadership of our founders and the core management team, we have evolved into a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings.

To facilitate flexible operation, foster employee motivation and increase operational efficiency, we encourage different teams to take initiatives and operate different product categories. We have an efficient organizational structure that effectively facilitates our decision-making by accelerating the information flow between operation teams and our management. This organizational structure allows us to develop business strategies nimbly in response to market fluctuations, empowering our sustainable growth in this fast-evolving industry.

We attach significant importance to corporate governance, constantly optimizing the compliance system to ensure that all our business activities strictly comply with applicable laws and regulations. This provides a robust safeguard for our long-term development.



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## BUSINESS

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### OUR STRATEGIES

#### **Solidify market leadership and enrich furniture and home furnishings offerings**

We plan to solidify our market leadership in the global B2C e-commerce market for furniture and home furnishings. To achieve this end, we expect to continuously optimize our brands and products to offer products under all "home and life" scenarios.

We also intend to research consumer preferences and develop new products, especially medium-to-large and oversized furniture. We believe this strategy helps us keep abreast of local trends and address market demand. We also plan to establish global prototyping centers to allow us quickly create, verify and refine product concepts.

#### **Promote key brand strategy and expand online and offline sales channels**

We aim to promote our key brand strategy and optimize our product portfolio with continuous innovation. By conducting tailored sales and marketing activities suitable for our diversified brands, we strive to enhance our brand recognition and foster consumer loyalty.

In addition to maintaining the distinct competitive edge of our key brands, we will proactively scale up our business across other sales channels to explore additional opportunities in overseas markets. Leveraging our consumer base and brand equity, we intend to expand our coverage of offline channels.

#### **Optimize supply chain network and digitalized management to enhance standardized operation**

We expect to set up a dedicated team to manage our supply chain more efficiently. By enhancing digitalized management, we aim to establish a more efficient, transparent and flexible supply chain management systems to connect with manufacturing partners' production systems, synchronizing information on order forecasting and production. We plan to expand our supply chain network in overseas regions, including Southeast Asia, and enhance collaboration with local suppliers. We believe such measures will help us build a more comprehensive, efficient and resilient supply chain worldwide.

We will continue standardizing our cooperation with manufacturing partners to ensure that our products are of consistent quality. To optimize this process, we intend to further modularize our supply chain composition, capitalize on the respective strengths of suppliers and implement a centralized procurement mechanism to effectively manage procurement expenses. Also, by increasing product development investments in raw materials, we plan to improve the compatibility of materials we use and increase production efficiency.

#### **Upgrade global warehousing and logistics network**

We plan to expand our global warehousing network and build more smart warehouse centers to strengthen our warehousing and logistics capabilities, thereby better satisfying the demand for logistics solutions of international customers. We plan to establish five smart warehousing centers in the U.S. and Mexico, and develop automated equipment in these centers to adapt to our rapid growth and evolving business needs. This expansion will bolster our logistics capabilities for oversized goods, driving business expansion. In addition, we expect to enhance our WMS to streamline the processes for order receipt, selection, packaging and dispatch. This will significantly reduce human error and increase operational efficiency. We also plan to optimize overseas inventory management through a distribution algorithm engine, lower the proportion of idle inventory and decrease local delivery costs to provide customers with high-quality logistics solutions, enhancing customer stickiness.

To ensure that consumers receive comprehensive support and assistance, we will also establish a professional team in key markets such as the U.S. to help on-site installation and provide after-sale services.

## BUSINESS

### Explore investment or acquisition opportunities to expand our business

We aim to explore opportunities to invest in or acquire companies that may generate synergies with our existing capacities, such as potential suppliers and international logistics solutions providers. This will enable us to consolidate our existing service capabilities and solidify competitive advantages. We also expect to pursue opportunities to invest in or acquire furniture and home furnishings companies that have strong sales channel presences to further increase our market share and enhance brand equity.

### OUR BUSINESS MODEL

We are a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings. Our diverse product portfolio also includes electric tools, home appliances, consumer electronics and sports and wellness products. We offer an enjoyable lifestyle experience under a broad range of “home and life” scenarios through robust supply chain management and logistics solutions. We have achieved a leading market position through strong brand building, high-quality product offerings at competitive prices, strong product design and development capabilities, robust supply chain systems and a comprehensive warehousing and logistics chain. According to Frost & Sullivan, in 2023:

- We ranked fifth in the global B2C e-commerce market for furniture and home furnishings in terms of GMV.
- We ranked first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV.
- We ranked first in six categories on the Amazon U.S. site in terms of GMV.

Through Shenzhen Westernpost, we provide efficient one-stop logistics solutions to our customers, primarily sellers on e-commerce platforms. Leveraging our industry expertise, we have formulated a warehousing network with tailored design based on proximity to end consumers and delivery capabilities, as a strategic move to improve local logistics services to efficiently deliver products at low cost. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan.

The following table sets forth our revenue by business line for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales of goods . . . . .	8,581,493	94.6	6,325,558	89.1	7,030,375	81.0
Logistics solutions . . . . .	489,700	5.4	774,672	10.9	1,652,602	19.0
<b>Total</b> . . . . .	<b>9,071,193</b>	<b>100.0</b>	<b>7,100,230</b>	<b>100.0</b>	<b>8,682,977</b>	<b>100.0</b>

## BUSINESS

### Brands and Products

We specialize in furniture and home furnishings under popular brands such as ALLEWIE, IRONCK, LIKIMIO, SHA CERLIN, HOSTACK and FOTOSOK. Our product portfolio also includes electric tools, home appliances, consumer electronics and sports and wellness products. In 2023, 11 of our brands each achieved over RMB100 million in GMV and we ranked first in six categories in terms of GMV on the Amazon U.S. site, including bed frames, food cabinets, vanity tables and vanity benches, bookcases, buffet tables and sideboards as well as refrigerators according to Frost & Sullivan. We had a market share of over 10% in ten categories, namely bed frames, beds, refrigerators, dressers and chests of drawers, food cabinets, bookcases, vanity tables and vanity benches, buffet tables and sideboards, power screwdrivers and pressure washer hose reels on the Amazon U.S. site, in terms of GMV in 2023, according to the same source. We primarily provide products to consumers via third-party e-commerce platforms such as Amazon, Walmart and Wayfair in overseas markets, including the U.S. and Europe. These markets are well known for strong customer purchasing power and high e-commerce penetration. Our product portfolio also includes electric tools, home appliances, consumer electronics and sports and wellness products. Benefiting from diverse offerings, brand equity and strategic market positioning, we have increased market penetration.

The following table sets forth our revenue from sales of products by type of products for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Sales of goods</i>	<i>RMB'000</i>	<i>% of Sales of goods</i>	<i>RMB'000</i>	<i>% of Sales of goods</i>
Furniture and home						
furnishings . . . . .	3,516,335	41.0	4,187,110	66.2	5,336,581	75.9
Electric tools . . . . .	1,462,895	17.0	628,913	9.9	347,182	4.9
Home appliances . . .	886,580	10.3	480,709	7.6	436,748	6.2
Consumer						
electronics . . . . .	1,067,281	12.4	356,100	5.6	292,265	4.2
Sports and wellness .	491,886	5.7	187,712	3.0	107,114	1.5
Other categories. . .	1,156,516	13.6	485,014	7.7	510,485	7.3
<b>Total . . . . .</b>	<b>8,581,493</b>	<b>100.0</b>	<b>6,325,558</b>	<b>100.0</b>	<b>7,030,375</b>	<b>100.0</b>

*Note:* Other categories primarily include car accessories, photography lighting equipment, outdoor equipment, decorations and musical instruments.

### *Furniture and Home Furnishings*

Our offering of furniture and home furnishings primarily consist of beds, bookcases, dressers, chests of drawers, vanity tables and vanity benches, food cabinets, sideboards, sofas and outdoor furniture featuring a wide range of styles including classic, contemporary, industrial and minimalist. In 2021, 2022 and 2023, our revenue generated from sales of furniture and home furnishings amounted to RMB3,516.3 million, RMB4,187.1 million and RMB5,336.6 million, respectively, accounting for 41.0%, 66.2% and 75.9% of our revenue from sales of goods during the same years, respectively.

**BUSINESS**

The following table sets forth certain of our key furniture and home furnishings brands and products:

<u>Product</u>	<u>Key Brand</u>	<u>Picture</u>	<u>Price Range</u>
Bed . . . . .	LIKIMO		USD200- USD260
	ALLEWIE		USD150- USD350
	SHA CERLIN		USD150- USD350
Bookcase . . . . .	IRONCK		USD100- USD150
Vanity Table and Vanity Bench . . . . .	IRONCK		USD180- USD230

**BUSINESS**

<b>Product</b>	<b>Key Brand</b>	<b>Picture</b>	<b>Price Range</b>
Food Cabinet . . . . .	COZY CASTLE		USD160- USD180
Sideboard . . . . .	COZY CASTLE		USD190- USD250
Sofa . . . . .	COPIAE		USD209- USD269
Outdoor Products . . .	ONBRILL		USD219- USD279
	Vitarpatio		USD239- USD299

## BUSINESS

### *Electric Tools*

Our offering of electric tools primarily consists of power screwdrivers, air pumps, jump starters and car vacuums, combining high-tech features and practicable designs. In 2021, 2022 and 2023, our revenue generated from sales of electric tools amounted to RMB1,462.9 million, RMB628.9 million and RMB347.2 million, respectively, accounting for 17.0%, 9.9% and 4.9% of our revenue from sales of goods during the same years, respectively. The following table sets forth certain of our key electric tool brand and products:

<u>Product</u>	<u>Key Brand</u>	<u>Picture</u>	<u>Price Range</u>
Power Screwdriver. . .	Fanttik		USD50- USD70
Air Pump. . . . .	Fanttik		USD50- USD80


### *Home Appliances*

Our offering of home appliances primarily consists of refrigerators and juicers. In 2021, 2022 and 2023, our revenue generated from sales of home appliances amounted to RMB886.6 million, RMB480.7 million and RMB436.7 million, respectively, accounting for 10.3%, 7.6% and 6.2% of our revenue from sales of goods during the same years, respectively.

The following table sets forth certain of our key home appliance brands and products:

<u>Product</u>	<u>Key Brand</u>	<u>Picture</u>	<u>Price Range</u>
Refrigerator . . . . .	upstreman		USD110- USD200



**BUSINESS**

<u>Product</u>	<u>Key Brand</u>	<u>Picture</u>	<u>Price Range</u>
Juicer. . . . .	FOHERE		USD40- USD65

***Consumer Electronics***

Our offering of consumer electronics primarily consists of power banks, chargers and cables. In 2021, 2022 and 2023, our revenue generated from sales of consumer electronics amounted to RMB1,067.3 million, RMB356.1 million and RMB292.3 million, respectively, accounting for 12.4%, 5.6% and 4.2% of our revenue from sales of goods during the same years, respectively.

The following table sets forth certain of our key consumer electronic brand and products:

<u>Product</u>	<u>Key Brand</u>	<u>Picture</u>	<u>Price Range</u>
Power Bank . . . . .	AMEGAT		USD20- USD50
Charger . . . . .	AMEGAT		USD10- USD60

***Sports and Wellness Products***

Our offering of sports and wellness products primarily consists of shiatsu neck and back massagers and treadmills. In 2021, 2022 and 2023, our revenue generated from sales of sports and wellness products amounted to RMB491.9 million, RMB187.7 million and RMB107.1 million, respectively, accounting for 5.7%, 3.0% and 1.5% of our revenue from sales of goods during the same years, respectively.

## BUSINESS

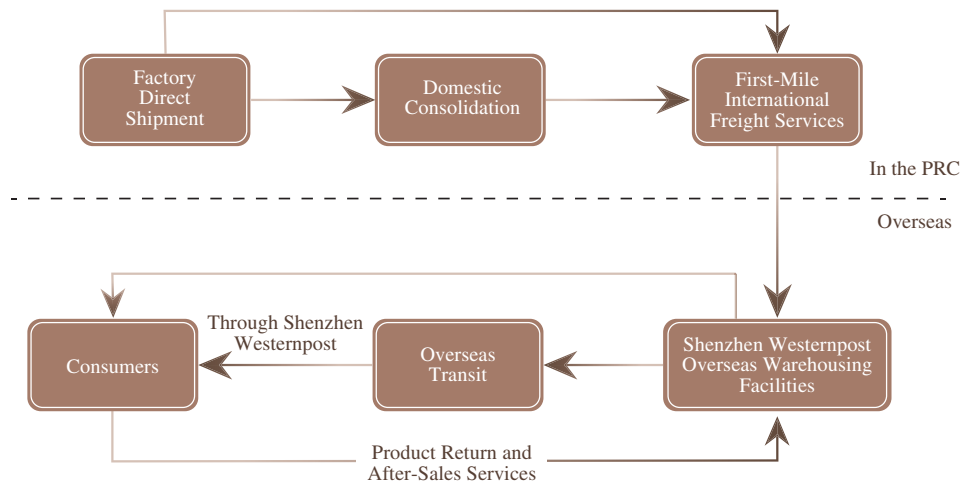
The following table sets forth certain of our key sports and wellness brands and products:

Product	Key Brand	Picture	Price Range
Shiatsu Neck and Back Massager . . . .	Careboda		USD40- USD70
Treadmill . . . . .	BODIOO		USD250- USD350

### Logistics Solutions

We provide efficient one-stop logistics solutions to customers, primarily sellers on e-commerce platforms, through Shenzhen Westernpost. Our solutions include domestic consolidation, first-mile international freight services, overseas transit, overseas warehousing and order dispatch. The revenue we generated from logistics solutions amounted to RMB489.7 million, RMB774.7 million and RMB1,652.6 million in 2021, 2022 and 2023, respectively, representing 5.4%, 10.9% and 19.0%, respectively, of our total revenue in the same years. During the Track Record Period, we provided logistics solutions to an accumulated total of over 700 e-commerce companies, fulfilling over three million, four million and six million orders, respectively, in 2021, 2022 and 2023.

The following flow chart illustrates the details of the logistics solutions we provide:





## BUSINESS

Customers first transport their goods to our overseas warehouses for stocking. When consumers place orders, these goods can be delivered directly from the respective overseas warehouses. This pre-sale stocking model helps customers timely fulfill their orders, reduce risks of fluctuation in cost of delivery and provide after-sales services such as product returns and exchanges efficiently. In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan.

We have established a global multi-tier warehousing and logistics network and developed proprietary logistics solution management systems. We managed 24, 25 and 27 warehouses, totaling an aggregate GFA of over two million sq.ft., three million sq.ft. and five million sq. ft., respectively, as of December 31, 2021, 2022 and 2023. As of December 31, 2023, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany).

Our proprietary logistics solution management systems include a smart restock and segregation system, a WMS, a TMS and an OMS, allowing us to trace, monitor and manage our services throughout the life cycle of our logistics solutions. The graphic below illustrates our proprietary logistics solution management systems.



With efficient one-stop solutions, we help online sellers expand their overseas business and especially address their demand for logistics solutions for medium-to-large goods. By empowering our customers' global expansion, we believe we are well positioned to further enlarge our market presence.

### OUR SALES NETWORK

During the Track Record Period, the majority of our revenue was derived from sales of goods through third-party e-commerce platforms. Since inception, we have collaborated with multiple leading e-commerce platforms such as Amazon, Walmart and Wayfair, which are also major e-commerce platforms for furniture and home furnishings. We effectively utilize their respective strengths to broaden our customer reach and seize global market opportunities. We also provide products via other channels, including offline distributors, offline retailers and self-operated websites.

## BUSINESS

The table below sets out a breakdown of our revenue by sales channel during the Track Record Period:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
<b>Sales of goods through</b>						
<b>Third-party</b>						
<b>e-commerce</b>						
<b>platforms . . . . .</b>	<b>8,233,426</b>	<b>90.8</b>	<b>5,878,049</b>	<b>82.8</b>	<b>6,656,918</b>	<b>76.7</b>
Amazon . . . . .	7,611,485	83.9	4,526,473	63.8	4,670,579	53.8
Walmart . . . . .	276,409	3.0	676,279	9.5	851,260	9.8
Wayfair. . . . .	157,487	1.7	458,538	6.5	871,705	10.0
Others <sup>(1)</sup> . . . . .	188,045	2.2	216,759	3.0	263,374	3.1
<b>Other channels<sup>(2)</sup> . . .</b>	<b>348,067</b>	<b>3.8</b>	<b>447,509</b>	<b>6.3</b>	<b>373,457</b>	<b>4.3</b>
<b>Logistics solutions . . . .</b>	<b>489,700</b>	<b>5.4</b>	<b>774,672</b>	<b>10.9</b>	<b>1,652,602</b>	<b>19.0</b>
<b>Total . . . . .</b>	<b>9,071,193</b>	<b>100.0</b>	<b>7,100,230</b>	<b>100.0</b>	<b>8,682,977</b>	<b>100.0</b>

*Notes:*

- (1) Others include other third-party e-commerce platforms, such as eBay.
- (2) Other channels primarily consist of offline channels and self-operated websites.

We primarily sell our products via third-party e-commerce platforms including Amazon, Walmart and Wayfair. It is the industry norm for B2C e-commerce sellers to sell products through these third-party e-commerce platforms, according to Frost & Sullivan. Compared to traditional offline sales channels, the scalability of e-commerce platforms enables us to enter target markets at a relatively low cost, thereby promoting efficient customer acquisition. Furthermore, by leveraging the extensive consumer base and high user traffic on such major third-party e-commerce platforms, we can reach more online consumers, gain more visibility, access premium marketing resources and increase the sales of our products. Our revenue generated from third-party e-commerce platforms amounted to RMB8,233.4 million, RMB5,878.0 million and RMB6,656.9 million in 2021, 2022 and 2023, respectively, accounting for 90.8%, 82.8% and 76.7%, respectively, of our total revenue in the same years. Our revenue generated from Amazon decreased primarily due to (i) the impact of the Amazon Incident from 2021 to 2022. See “— Marketing and Promotion — The Amazon Incident;” and (ii) our efforts to diversify coverage of third-party e-commerce platforms throughout the Track Record Period. Following such efforts, during the same period, our revenue generated from Walmart and Wayfair both increased in absolute amount and as a percentage of our total revenue.

Our key sales activities through third-party e-commerce platforms include:

- **User traffic analysis:** We research consumer demand on relevant e-commerce platforms and develop strategies to target consumers.
- **Contracting:** We enter into contracts with relevant e-commerce platforms.

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## BUSINESS

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- **Online store set-up:** We set up online stores with brand and product information.
- **Product listing:** We create product listings under suitable categories and sell such products to customers.
- **After-sales services:** We respond promptly to customer inquiries and complaints to maintain a high level of customer satisfaction, and monitor feedback and reviews to identify areas for improvement and use messaging services on relevant platforms to communicate with customers.

### Amazon

Amazon is one of the largest e-commerce platforms in terms of revenue of e-commerce globally, according to Frost & Sullivan. In terms of GMV in 2022, Amazon had a 17.8% of market share in the global B2C e-commerce market. Amazon's wide geographic coverage and extensive consumer base enable online sellers like us to reach different end consumers.

We enter into standard agreements with Amazon and directly sell products to consumers on Amazon. We may also utilize Amazon's services such as FBA to handle receipt, storage and processing of products, which includes storage, packaging and shipping. The respective proceeds are first transferred to Amazon, and Amazon disburses the proceeds to us after deducting applicable service fees. Under Amazon's policies, customers are typically allowed to return the purchased products within 30 days of receipt.

The key terms of Amazon's standard agreement are outlined as follows:

- **Term and termination:** Either party can unilaterally terminate the agreement;
- **Logistics arrangements:** We may choose to use Amazon's services, third-party logistics services providers or our in-house logistics solutions;
- **Transfer of risks:** We retain ownership of the products and generally bear the risk of damage or loss until the products are delivered to the customers;
- **Credit term:** Amazon generally settles outstanding balance with us every 14 days;
- **Platform service fees:** We pay Amazon service fees calculated based on a percentage of the total sales amount.

## BUSINESS

The following table sets forth the revenue generated from, and key operating data of our seller stores on, Amazon for the years indicated:

	Year ended December 31,		
	2021	2022	2023
<b>Revenue from sales of goods generated on relevant platform</b>			
<i>(RMB in thousands)</i> . . . . .	7,611,485	4,526,473	4,670,579
<b>Key operating data</b>			
Order volume <i>(in thousands)</i> . . . . .	19,673.1	7,347.7	6,203.0
GMV <i>(RMB in millions)</i> . . . . .	8,793.7	4,911.4	5,105.7
Average price per order <i>(RMB)</i> . . .	447.0	668.4	823.1
– Furniture and home furnishings . .	615.0	913.9	1,028.5
– Technology consumer goods <sup>(1)</sup> . .	361.3	462.0	498.8
Return rate <i>(%)</i> . . . . .	6.7	4.6	4.0

*Note:*

(1) Includes electric tools, home appliances and consumer electronics.

### Walmart

As advised by Frost & Sullivan, as one of the largest global retailers, China-based Walmart entered the e-commerce market in 2009 and started to cooperate with online sellers in March 2021, and in terms of GMV in 2022, Walmart had a 2.8% of market share in the global B2C e-commerce market.

We enter into standard agreements with Walmart and directly sell products to consumers on Walmart. We may also utilize Walmart’s services such as Walmart Fulfillment Services for Walmart to handle orders on our behalf, which includes storage, packaging and shipping. The respective proceeds are first transferred to Walmart, and Walmart disburses the proceeds to us after deducting applicable service fees. Under Walmart’s policies, customers are typically allowed to return the purchased products within up to 90 days of receipt.

## BUSINESS

The key terms of Walmart’s standard agreement are outlined as follows:

- **Term and termination:** Either party can unilaterally terminate the agreement;
- **Logistics arrangements:** We may choose to use Walmart’s services, third-party logistics services providers or our in-house logistics solutions;
- **Transfer of risks:** In the case of utilizing our in-house logistics solutions, we retain ownership of the products and generally bear the risk of damage or loss until the products are delivered to the customers. In the case of utilizing Walmart’s logistics services, Walmart is liable if our product is lost or damaged while at their warehousing facilities or while in transit for delivery to consumers;
- **Credit term:** Walmart generally settles outstanding balance with us for products shipped in each 14-day period within seven days of the end of such 14-day period;
- **Platform service fees:** We pay Walmart service fees calculated based on a percentage of the total sales amount.

The following table sets forth the revenue generated from, and key operating data of our seller stores on, Walmart for the years indicated:

	Year ended December 31,		
	2021	2022	2023
<b>Revenue from sales of goods generated on relevant platform (RMB in thousands) . . . . .</b>	276,409	676,279	851,260
<b>Key operating data</b>			
Order volume ( <i>in thousands</i> ) . . . . .	378.0	930.7	1,256.4
GMV ( <i>RMB in millions</i> ) . . . . .	291.2	710.6	890.0
Average price per order ( <i>RMB</i> ) . . . . .	770.4	763.6	708.4
– Furniture and home furnishings . . . . .	870.9	940.0	726.5
– Technology consumer goods <sup>(1)</sup> . . . . .	581.4	437.3	442.8
Return rate (%) . . . . .	4.8	4.8	4.4

*Note:*

(1) Includes electric tools, home appliances and consumer electronics.

### Wayfair

According to Frost & Sullivan, Wayfair is one of the world’s largest e-commerce platforms for furniture and home furnishings.

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We enter into standard agreements with Wayfair and directly sell products to consumers on Wayfair. We propose Wayfair a price and Wayfair has the discretion to determine listed prices. We may also utilize Wayfair services such as CastleGate Fulfillment Services for them to handle the orders on our behalf, which includes storage, packaging and shipping. Under Wayfair’s policies, customers are typically allowed to return the purchased products within up to 30 days of receipt.

The key terms of Wayfair’s standard agreement are outlined as follows:

- **Termination:** Either party can unilaterally terminate the agreement;
- **Logistics arrangements:** We may choose to use Wayfair’s services, third-party logistics services providers or our in-house logistics solutions;
- **Transfer of risks:** We retain ownership of the products and generally bear the risk of damage or loss until the products are delivered to the customers;
- **Credit term:** Wayfair settles outstanding balance with us (i) within 60 days of the invoicing date or (ii) within 30 days of the invoicing date subject to a 2% “quick payment” fee;
- **Return allowance:** We pay an allowance fee in the amount of 4% of total sales amount for Wayfair to handle freight-related damage or one-off manufacturing defects of our products.

The following table sets forth the revenue generated from, and key operating data of our seller stores on, Wayfair for the years indicated:

	Year ended December 31,		
	2021	2022	2023
<b>Revenue from sales of goods</b>			
<i>(RMB in thousands)</i> . . . . .	157,487	458,538	871,705
<b>Key operating data</b>			
Order volume <i>(in thousands)</i> . . . . .	239.1	627.2	1,150.9
GMV <i>(RMB in millions)</i> . . . . .	158.0	469.8	885.3
Average price per order <i>(RMB)</i> . . . . .	660.9	750.1	769.3
– Furniture and home furnishings . . . . .	662.5	752.3	773.0
Return rate (%) . . . . .	1.8	2.3	1.5

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### Others

In addition to Amazon, Walmart and Wayfair, we also sell our products via other third-party e-commerce platforms such as eBay. The revenue we generated from sales on these platforms amounted to RMB188.0 million, RMB216.8 million and RMB263.4 million in 2021, 2022 and 2023, respectively, representing 2.2%, 3.0% and 3.1%, respectively, of our total revenue for the same years.

### Other Channels

We also sell products through other channels, primarily including offline distributors, offline retailers and self-operated websites. The revenue we generated from other channels amounted to RMB348.1 million, RMB447.5 million and RMB373.5 million in 2021, 2022 and 2023, respectively, representing 3.8%, 6.3% and 4.3% of our total revenue for the respective years. The majority of revenue we generated from other channels was from sales to offline distributors.

We enter into transactions with offline distributors as a supplement to our strong online presence, to extend our coverage and flexibly respond to market demand. According to Frost & Sullivan, it is in line with industry norm for market participants in the e-commerce industry to also engage offline distributors. Our offline distributors typically buy products from us and then sell to their customers including offline stores or local e-commerce platforms in countries and regions such as Southeast Asia. The relationship between us and our offline distributors is that of seller and buyer. We recognize revenue when distributors accept our products upon delivery.

We generally enter into standard sales and purchase agreements with our offline distributors. The key terms of these standard agreements used during the Track Record Period are outlined as follows:

- ***Duration:*** The duration of the distribution agreements is typically one year;
- ***Designated distribution area:*** The offline distributors can sell, distribute and market our products in the designated sales channels only as provided in the agreements. We reserve the right to amend the designated sales channels list at our discretion;
- ***Minimum purchase requirements:*** We do not set minimum purchase requirements;
- ***Pricing policy:*** We provide the offline distributors with a minimum selling price list as well as advice regarding business processes, sales policies, procedures and systems, marketing programs, marketing support and promotions, with which the offline distributors shall comply;
- ***Return arrangements:*** We accept return of broken, defective or wrong products delivered by mistake;
- ***Termination:*** Either party may terminate the agreement with 60 days' written notice. We have the right to terminate the agreements with distributors if their performance is unsatisfactory.

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The following table sets forth the total number of offline distributors and their movements for the years indicated:

	2021	2022	2023
Number of offline distributors at the beginning of the year . . . . .	325	212	261
Number of newly cooperated offline distributors for the year . . . . .	119	149	104
Number of offline distributors which we terminated relationships with for the year <sup>(1)</sup> . . . . .	232	100	145
Number of offline distributors at the end of the year . . . . .	212	261	220

*Note:*

- (1) We consider the business relationship with an offline distributor terminated when (i) such offline distributor does not contribute any revenue each year or (ii) the respective distribution agreement was terminated or expired.

In 2021, 2022 and 2023, we entered into business collaborations with 119, 149 and 104 new offline distributors, respectively, and terminated relationships with 232, 100 and 145 offline distributors, respectively. According to Frost & Sullivan, it is in line with industry norm for e-commerce sellers to also engage offline distributors, and their distributor networks often undergo changes to address the ever-shifting consumer need. In addition to routine collaboration with offline distributors, during the Track Record Period, we engaged a number of offline distributors for inventory clearance after the Amazon Incident. In addition to routine cessation of business relationships with offline distributors upon the contract expiry, (i) in 2021, we terminated a higher number of offline distributors who had purchased products to meet consumers demand during the COVID-19; and (ii) in 2023, we terminated a higher number of offline distributors previously engaged for inventory clearance in connection with the Amazon Incident. After the completion of our inventory clearance in connection with the Amazon Incident, we have continued working with some of offline distributors previously engaged for inventory clearance to flexibly address the market demand.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these terminated offline distributors.

We did not rely on any sole distributor or a small number of distributors during the Track Record Period. During the Track Record Period, to the best of our knowledge, all our distributors are independent third parties.

### Seller Store Management

We believe a network of seller stores on third-party e-commerce platforms helps us to implement diverse marketing strategies which are tailored to the different product categories, SKUs, geographic coverage and targeted customers of each seller store. We operate multiple seller stores to offer our products. According to Frost & Sullivan, this approach is in line with the industry norm.



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The following table sets forth the movement of the number of our seller stores on third-party e-commerce platforms during the Track Record Period:

		Year ended December 31,		
		2021	2022	2023
<b>Amazon</b> . . . . .	As of the beginning of the year	318	353	303
	Newly opened during the year	327 <sup>(3)</sup>	34	2
	Terminated operation during the year			
	a. Due to business causes	16 <sup>(1)(2)</sup>	84 <sup>(2)</sup>	206 <sup>(2)</sup>
	b. Restricted Online Stores <sup>(6)</sup>	276 <sup>(1)</sup>	–	–
	<b>As of the end of the year<sup>(7)</sup></b>	<b>353</b>	<b>303</b>	<b>99</b>
<b>Walmart</b> . . . . .	As of the beginning of the year	2	45	50
	Newly opened during the year	43 <sup>(4)</sup>	10	2
	Terminated operation during the year	0	5 <sup>(2)</sup>	19 <sup>(2)</sup>
	<b>As of the end of the year</b>	<b>45</b>	<b>50</b>	<b>33</b>
<b>Wayfair</b> . . . . .	As of the beginning of the year	5	11	15
	Newly opened during the year	6 <sup>(4)</sup>	4	1
	Terminated operation during the year	0	0	3 <sup>(2)</sup>
	<b>As of the end of the year</b>	<b>11</b>	<b>15</b>	<b>13</b>
<b>Other platforms<sup>(8)</sup></b> . . . . .	As of the beginning of the year	68	150	156
	Newly opened during the year	88 <sup>(4)</sup>	15	31
	Terminated operation during the year	6 <sup>(2)</sup>	9 <sup>(2)(5)</sup>	135 <sup>(2)(5)</sup>
	<b>As of the end of the year</b>	<b>150</b>	<b>156</b>	<b>52</b>

*Notes:*

- (1) Restricted Online Stores may involve product listings targeting consumers at different geographic areas and Amazon restricted the operations of these stores by removing the product listings by batch geographically. Not all product listings were affected and removed at the same time, but they were gradually removed by Amazon or by us. By September 30, 2023, we terminated the sales of all products under the relevant product listings in all Restricted Online Stores to eliminate any further impact from the Amazon Incident.
- (2) We primarily terminated online stores on respective e-commerce platforms as part of our policy to limit (i) the number of brands each online store can sell and (ii) the number of online stores each brand can be sold at. Such policy can help us to achieve better internal control, operational management and resource allocation for key brands and products.
- (3) In 2021, we newly opened 327 online stores on Amazon, most of which started their operations after the Amazon Incident in an endeavor to alleviate the impact of the Amazon Incident on our sales network (including inventory clearance) which led to the closure of 276 Restricted Online Stores.
- (4) In 2021, we had in total 137 newly opened stores on e-commerce platforms other than Amazon (including 43 on Walmart, six on Wayfair and 88 on other platforms) to diversify our sales network and enhance our collaboration with other e-commerce platforms.
- (5) In 2022 and 2023, to consolidate efforts to better develop our business with Walmart and Wayfair, we streamlined nine and 135 stores on other e-commerce platforms, respectively.
- (6) There was no Restricted Online Store on e-commerce platforms other than Amazon.
- (7) Open and not affected by the Amazon Incident.
- (8) Not including self-operated websites.

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According to the respective platform policy, Amazon, Walmart and Wayfair do not prohibit the online seller from holding multiple seller accounts as long as the online seller has legitimate business reasons. In line with the industry practice, to commence sales activities of seller stores in a shorter time to facilitate the tailored product listings under diverse product categories and conduct tailored sales and marketing efforts, normally we used to register online seller stores under designated subsidiaries registered with the information concerning certain individuals who are our employees, and, in a few cases, their relatives or friends. As of March 31, 2024, all of these designated subsidiaries holding our seller stores in operation were registered under our Group. According to Frost & Sullivan, it is a prevalent industry practice for China-based e-commerce sellers to have seller stores registered under designated subsidiaries registered with information concerning individuals such as employees, their relatives or friends because it generally takes shorter time to complete the registration of seller stores under companies registered under individuals' names on third-party e-commerce platforms. Our extensive network of stores on these platforms allows us to satisfy the needs of customers of varying ages and purchasing power, thereby broadening our brand and product exposure, consistently gaining new customers and market share. Each seller store serves its own unique function by operating its given product categories and managing its SKUs. We task dedicated team to be in charge of the operation of each seller store. While each operation team is responsible for the product listings and customized marketing endeavors for the store, our Group enters into agreements with manufacturing partners and service providers to procure products and arrange logistics for the product delivery, as well as maintain bank accounts for sales proceeds collection from customers for all of our seller stores.

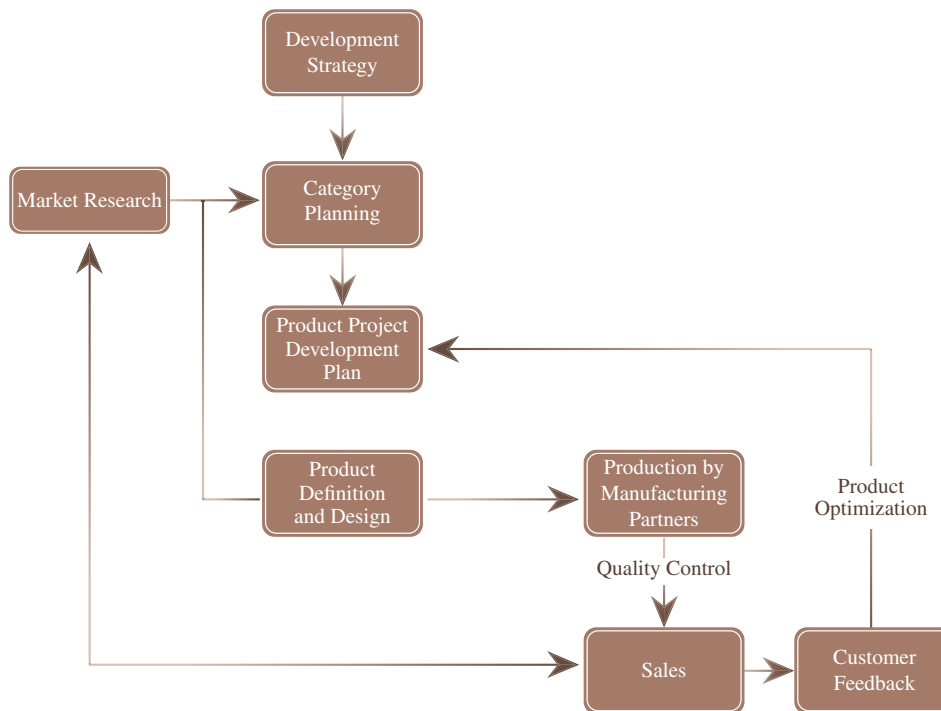
Based on an analysis of the foregoing business needs, after consulting a special U.S. counsel engaged to advise on the matter, the Directors are of the view that the likelihood of Amazon, Walmart and Wayfair challenging our operation of multiple stores is low, as our operation of different stores is driven by sophisticated business rationales to operate diverse product categories and increase sales and marketing efficiencies in business expansion.

### PRODUCT DEVELOPMENT

We implement full-cycle product development management across key stages including project planning, product creation and order delivery. Our project planning is generally a combination of bottom-up and top-down approaches, based on thorough research and analysis of product and competitive market data and guided by our understanding of market needs.

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The following flow chart sets forth the details of our product development process:



**Development strategy.** We analyze our competitiveness and resources, and determine new product categories.

**Market research.** We understand market demand and consumers' pain points through market research and industry analysis, and we conduct competitive analysis on our main competitors.

**Product definition and design.** Based on the results of market research, we determine product designs and product specifications.

**Product review.** We conduct a comprehensive review of the product including market review, design aesthetics, technical review and cost effectiveness review.

We adopt a dynamic and integrated product development approach, encompassing strategic planning, category management, product design, quality control, sales and optimization. This requires our team to engage in extensive research, embrace innovation, precision design, efficient supply chain management and proactive customer communication on a global scale. We believe in the power of collaboration and professionalism across our planning, data analysis, product development, operations, design, structural, graphic and quality control teams to deliver innovative products to address consumer demand.

In the early stages of category planning and product definition, we leverage data analytics to understand target markets, competitive landscapes and product development trends. Our market insight system features an archive of over 4.7 million furniture product SKUs. Our data insight and development teams are constantly monitoring and analyzing emerging technologies, design trends and consumer sentiment to ensure our products remain sustainably competitive. This phase provides a strong foundation for our product design and development.

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Our design process is a combination of market research findings and innovative design concepts, resulting in targeted product differentiation. We incorporate design elements such as local culture that resonate with the consumers in target markets and tailor material selection and functional design to local climates, lifestyles and resident habits. In addition, we closely monitor the development of international trade policies and regulations to ensure the compliance of products that we sell.

Our product development is characterized by rapid prototyping, innovative application of materials and structures and modular design, as well as selection of color, material and finish (the "CMF"). We seamlessly integrate all steps in this process to respond swiftly to market feedback. For example, rapid prototyping can swiftly transform CMF designs to prototypes that accurately reflect the intended design, providing the basis for subsequent design adjustment and optimization. The combination of modular design with CMF allows for flexible combinations of different colors, materials and finishes, resulting in a diverse product portfolio. This approach not only simplifies the product development process and optimizes the development cycle, but also enhances product innovation, offering flexibility and customizability to meet the varied needs of different markets and consumers.

Our development team works closely with the supply chain. From the early stages of product development, we ensure suppliers fully understand and can effectively implement design concepts and implement strict quality control measures. During the design phase, we closely align product design with manufacturing processes and manage supply chains and raw materials to optimize design, cost and quality. After product launch, we share consumer feedback with our supply chain to respond to market changes.

We utilize consumer feedback during the lifecycle of our product development, encompassing pre-launch testing and post-launch customer feedback collection. We gather insights and feedback from our consumers for continuous product improvement.

### SUPPLY CHAIN MANAGEMENT

We have extensive experience in the management and integration of our supply chain to serve consumers across the world. This allows us to react rapidly and synchronize our products with changing market trends and customer preferences while maintaining control over our costs by leveraging the synergies among different stages, including manufacturing by engaging manufacturing partners, design, procurement, logistics and warehousing.

#### **Our Suppliers**

We choose our suppliers through a rigorous selection process to guarantee the quality of our products. Our suppliers are required to have all the necessary licenses and permits for their operations. We select suppliers based on factors such as service or product quality, production or delivery capacity, pricing, location, qualifications, reputation and delivery schedule.

The majority of our suppliers are manufacturing partners who primarily provide OEM services, based in the PRC. In 2021, 2022 and 2023, we collaborated with 1,517, 865 and 810 manufacturing partners, respectively.

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Transaction amounts from our five largest suppliers in each year during the Track Record Period represented 20.7%, 30.9% and 27.7% of our total transaction amount for the respective years. Transaction amounts from our largest supplier in each year during the Track Record Period represented 7.5%, 13.6% and 14.8% of our total transaction amount for the respective years. The following tables set forth the details of our five largest suppliers by transaction amount in each year during the Track Record Period:

### Year ended December 31, 2021

Supplier	Transaction amounts (RMB'000)	% of total transaction amounts %	Background	Main products/ services purchased	Credit terms and payment method	Year of commencing business relationship
Supplier A <sup>(1)</sup>	449,273	7.5	Incorporated in the U.S., Supplier A primarily provides express services.	Express services	Wire transfer; within two weeks	2020
Shenzhen Zbao Logistics Technology Co., Ltd. (深圳市眾包物流科技有限公司) <sup>(2)</sup>	349,410	5.9	Incorporated in Mainland China with a registered capital of RMB10,000,000, Shenzhen ZBAO Logistics Technology Co., Ltd. primarily provides freight forwarding and logistics services.	Freight forwarding and logistics services	Wire transfer; within one month	2018
ARM STRONG LOGISTICS	178,626	3.0	Incorporated in the U.S., ARM STRONG LOGISTICS primarily provides logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2020
Shenzhen Huasixu Technology Co., Ltd. (深圳市華思旭科技有限公司)	142,792	2.4	Incorporated in Mainland China with a registered capital of RMB15,293,332, Shenzhen Huasixu Technology Co., Ltd. primarily provides electronic products and lithium battery solutions.	Car accessories, consumer electronics, electric tools	Wire transfer; within 60 days	2017
De Well Holdings Limited (德威控股有限公司)	115,713	1.9	Incorporated in the Cayman Islands, De Well Holdings Limited primarily provides warehousing, logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2019
	<b><u>1,235,814</u></b>	<b><u>20.7</u></b>				

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### Year ended December 31, 2022

Supplier	Transaction amounts	% of total transaction amounts	Background	Main products/ services purchased	Credit terms and payment method	Year of commencing business relationship
	<i>(RMB'000)</i>	%				
Supplier A <sup>(1)</sup>	580,696	13.6	Incorporated in the U.S., Supplier A primarily provides express services.	Express services	Wire transfer; within two weeks	2020
ARM STRONG LOGISTICS	268,372	6.3	Incorporated in the U.S., ARM STRONG LOGISTICS primarily provides logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2020
De Well Holdings Limited	186,305	4.3	Incorporated in the Cayman Islands, De Well Holdings Limited primarily provides warehousing, logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2019
Shenzhen Zbao Logistics Technology Co., Ltd. <sup>(2)</sup>	184,069	4.3	Incorporated in Mainland China with a registered capital of RMB10,000,000, Shenzhen ZBAO Logistics Technology Co., Ltd. primarily provides freight forwarding and logistics services.	Freight forwarding and logistics services	Wire transfer; within one month	2018
Supplier B <sup>(1)</sup>	103,406	2.4	Incorporated in Hong Kong, Supplier B primarily engages in shipping agent and investment holding.	Logistics and transport services	Wire transfer; within one month	2021
	<b><u>1,322,848</u></b>	<b><u>30.9</u></b>				

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### Year ended December 31, 2023

Supplier	Transaction amounts <i>(RMB'000)</i>	% of total transaction amounts %	Background	Main products/ services purchased	Credit terms and payment method	Year of commencing business relationship
Supplier A <sup>(1)</sup>	861,408	14.8	Incorporated in the U.S., Supplier A primarily provides express services.	Express services	Wire transfer; within two weeks	2020
ARM STRONG LOGISTICS	306,696	5.3	Incorporated in the U.S., ARM STRONG LOGISTICS primarily provides logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2020
De Well Holdings Limited	183,021	3.2	Incorporated in the Cayman Islands, De Well Holdings Limited primarily provides warehousing, logistics and transport services.	Logistics and transport services	Wire transfer; within one month	2019
Xiamen Kangruiqing Furniture Co., Ltd. (廈門康瑞清家具有限公司)	131,700	2.3	Incorporated in Mainland China with a registered capital of RMB1,000,000, Xiamen Kangruiqing Furniture Co., Ltd. primarily provides furniture and home furnishings.	Furniture and home furnishings	Wire transfer; within 30 days	2019
Supplier C <sup>(1)</sup>	120,432	2.1	Incorporated in Hong Kong, Supplier C primarily provides express services.	Express services	Wire transfer; prepayment	2023
	<u>1,603,257</u>	<u>27.7</u>				

*Notes:*

- (1) This supplier did not consent to the disclosure of its name in this document.
- (2) Shenzhen Zbao Logistics Technology Co., Ltd. is an associate of our Company. See Note 40 of the Accountants’ Report in Appendix I to this document.

As of the Latest Practicable Date, except for disclosed above, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of our Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

We regularly evaluate our suppliers’ performance to guarantee the consistency and quality of our supplies, and we replace any suppliers who do not meet our standards and requirements. See “— Quality Control.”

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In general, we have annual framework agreements with our suppliers and place orders when necessary. The key terms of the framework agreements with our manufacturing partners are outlined as follows:

- **Terms and termination:** The duration of the agreements is typically one year;
- **Pricing:** Price of services are mutually agreed upon, and may only be adjusted with mutual consent;
- **Delivery:** The manufacturing partners shall deliver the products to venue designated by us in strict accordance with the delivery date agreed, otherwise we are entitled to terminate the agreement;
- **Product return:** When the products delivered by manufacturing partners fail to satisfy our standards, we are entitled to refuse acceptance and return the products. Once we choose to return the products, the ownership and risk of the goods are transferred to manufacturing partners from the time of notice of product return.

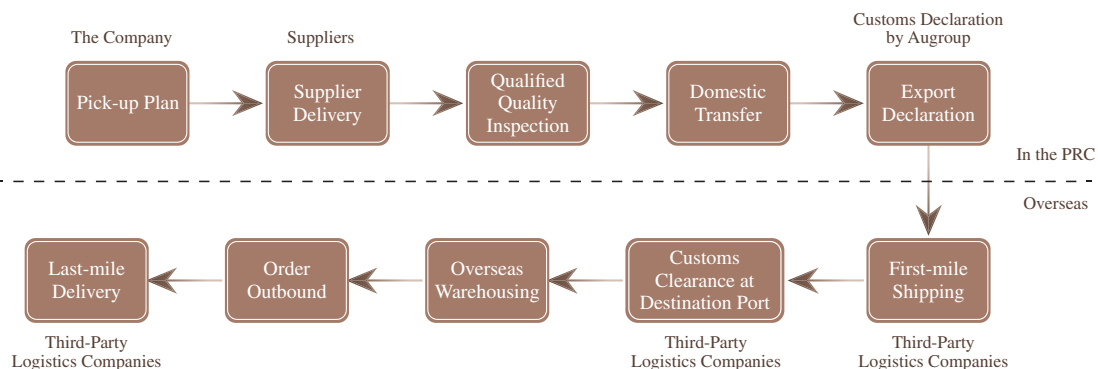
During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material supply shortages or delivery delays, nor did we encounter any material difficulty in obtaining products from manufacturing partners.

### Inventory Management

Our inventory primarily consists of finished products. We determine minimum levels of our inventory according to historical sales, current market demand and future sales forecasts. During the Track Record Period, we did not encounter any material shortage or obsolescence of inventory.

We utilize a WMS for inventory monitoring and management. This system allows digitalized, real-time and visualized management of various stages of our inventory, including (i) procurement agreements, orders, applications and settlements, (ii) raw materials preparation, transfer of raw materials to production facilities and consumption, (iii) customer orders and the delivery process and (iv) the movement of inventories within our warehouse. This system enables us to track shipment and inventory on a real-time basis and allows prompt follow-ups in the event of any discrepancies, which assists us in maintaining optimal inventory levels and enhancing our working capital efficiency. In addition, we have established stable relationships with third-party logistics solutions providers on favorable terms and pricing, enabling us to manage storage, shipping and customer support flexibly.

### Warehousing and Logistics





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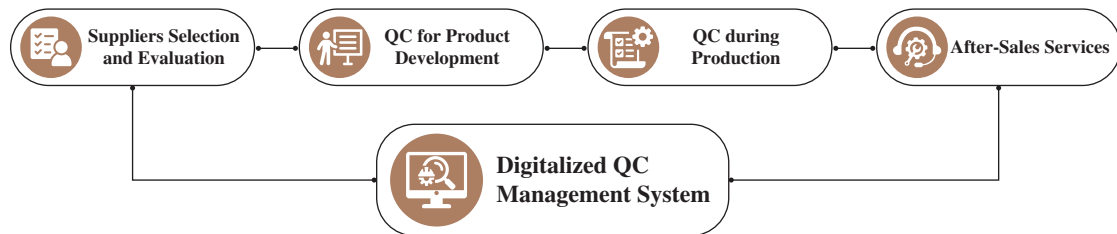
We primarily determine our delivery arrangements based on customers' needs, the nature of the products and the sales channels used. These arrangements can be broadly divided into three categories: (i) fulfillment services provided by third-party e-commerce platforms; (ii) logistics solutions offered by various third-party logistics solutions providers; and (iii) our in-house logistics capabilities through Shenzhen Westernpost.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption in the delivery of our products or suffer any material loss as a result of any delay in delivery or poor handling of goods.

## QUALITY CONTROL

We consider quality control to be a critical factor in our business development. We have implemented and upheld a rigorous quality control system.

Providing high-quality products to customers is our primary objective, which serves as the bedrock of our sustainable competitiveness. Our quality control (QC) process is customer-oriented, data-driven and prevention-focused, spanning the entire life cycle of our product development, including supplier selection and evaluation, product development, production and after-sales service.



**Supplier selection and evaluation:** We have implemented rigorous processes for supplier selection and evaluation, including strict admission criteria. Our procurement framework agreements usually include quality assurance agreements.

**Product development:** We develop new products in strict adherence to applicable national or regional legal and regulatory standards, such as FCC, CE, EPA and ASTM. To ensure compliance with the relevant quality requirements, we require suppliers to engage independent third-party agencies to conduct product inspection and certification.

**Production:** Our quality control team is responsible for quality control in production to reduce defect rates. This process includes quality inspection of core components, semi-finished products and finished products.

**After-sales service:** Our quality control team is also responsible for collecting and analyzing customer feedback, inspecting returned products to identify issues and collaborating with product development teams and suppliers to improve product quality.

Our quality control process is enhanced by a digitalized quality control system, which helps us timely collect feedback for continuous improvement, ensuring the consistently high quality of products.

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### MARKETING AND PROMOTION

We use various channels to promote our products, including (i) onsite marketing, which means placing advertisements on third-party e-commerce platforms that we partner with; and (ii) offsite marketing, which means utilizing other offsite online channels such as social media and search engines.

#### **Onsite marketing: third-party e-commerce platforms**

We work with multiple e-commerce platforms for onsite marketing, leveraging their extensive user traffic. Our ability to maintain a close and consistent collaboration with these e-commerce platforms enables us to tap into their vast user base. These platforms also direct user traffic to our products via advertisement services. We purchase their services for us to display advertisements for our products and offerings on their websites or apps via images, video or audio. Such services are usually priced under a CPC model, where the fee we pay depends on the times that our advertisements are clicked, or a CPM model, where the fee we pay depends on the total number of views of our advertisements. As a result, we can directly track the effectiveness of our campaigns by monitoring user traffic and potential conversions that result from our sales and marketing activities. We also participate in e-commerce platforms' official review programs, such as Amazon Vine.

In addition, we also provide discounts and promotional offers on our products to stimulate sales and reduce outdated stock, especially during holiday and festival seasons like Amazon Prime Day, Christmas, New Year and Black Friday. Occasionally, we offer customers discounts on retail prices for surplus inventory.

#### **Offsite marketing: social media, search engines, influencers**

Our offsite marketing methods are mainly divided into four categories: social media display, search engine promotion, influencers and other product promotion services.

- *Social media:* Our products are displayed on social media platforms such as Facebook and YouTube in the forms of articles, pictures or videos.
- *Search engines:* Information concerning our products or brands will have priority to be shown on search engines when the end consumers search for relevant keywords or pictures.
- *Influencers:* We engage influencers on various social media to help promote our products through posting, making videos or other marketing methods.

Social media and search engine marketing are usually priced under a CPC model or a CPM model. Influencer marketing is usually priced based on the number of posts, videos and other content produced.

#### **The Amazon Incident**

Historically, certain of our sales and marketing personnel at the operating level within separate business units had invited influencers to review our products or place coupons in product packages as incentives to encourage ratings and reviews (the "**Unofficially Promoted Ratings or Reviews**") primarily to increase exposure of our newly launched products to assess their market acceptance. As a result, we were subject to the following actions by Amazon from May 2021 to August 2021 as part of Amazon's investigation into the past usage of Unofficially Promoted Ratings or Reviews by certain business units of our Group: (i) deactivation or

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restriction of the relevant online stores or the associated accounts identified as having engaged in the use of Unofficially Promoted Ratings or Reviews; (ii) freezing of funds in such online accounts; and (iii) removal of product listings from these online stores (the “**Restricted Online Stores**”). Consequently:

- i. a number of our online stores were deactivated or restricted from conducting sales activities. Though we have subsequently set up new stores, it usually takes approximately six months for our new brand cultivation from product definition, trademark application, ordering, shipping to overseas to final launch, and an additional six months of promotion are typically required, leading to lowered revenue generated from Amazon in 2022. According to Frost & Sullivan, it is generally time-consuming to attract user traffic for newly opened stores in the global B2C e-commerce market;
- ii. a total of RMB235.5 million of funds under the Restricted Online Stores’ online accounts had been frozen. As of December 31, 2023, substantially all of the frozen funds were released based on our proactive communication with Amazon, with a remaining RMB3.0 million mainly in relation to the Restricted Online Stores’ settlement of fees with Amazon; and
- iii. though we had not received official communication from Amazon imposing any restriction over any of our brands, our listings of all products provided by the Restricted Online Stores were removed from Amazon. Because we had focused on product categories such as consumer electronics and sports and wellness products, the relevant product listings being removed were primarily under such categories. Relevant product listings that were previously available in these stores were gradually removed along with the deactivation or restriction of the relevant account of these stores subsequent to the Amazon Incident. The inventory for such product listings therefore needs to be sold through other stores which were not restricted or new stores on Amazon, other online platforms or offline channels.

Though our other online stores, product listings and brands on Amazon were not affected, our GMV from Amazon decreased by 44.1% from RMB8,793.7 million in 2021 to RMB4,911.4 million in 2022. We conducted sales of previously affected products via online and offline channels, primarily including sales through e-commerce platforms and sales to offline distributors, for inventory clearance and made provision of RMB984.4 million in 2021. Our revenue decreased by 21.7% from RMB9,071.2 million in 2021 to RMB7,100.2 million in 2022. See “Financial Information — Period-to-Period Comparison of Results of Operations — Year Ended December 31, 2022 Compared with Year Ended December 31, 2021.”

After finding out about the employees’ involvement in Unofficially Promoted Ratings or Reviews relating to the Amazon Incident, we promptly demanded that all employees cease the practice of Unofficially Promoted Ratings or Reviews in May 2021. We also commenced an internal review and conducted inspections of our online stores and implemented relevant remedial measures.

As a result of our internal review and inspections of online stores after the Amazon Incident, we identified the following causes of the relevant personnel’s use of Unofficially Promoted Ratings or Reviews:

- i. we had tasked teams overseeing the operation and management under their respective categories for activities including product selection, pricing and marketing;
- ii. the sales and marketing personnel were primarily responsible for conducting sales and marketing activities for the products sold by their respective business units and reported to the manager of their respective business units. The relevant business

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- units involved were primarily responsible for the sales of product categories such as electric tools and consumer electronics, which faced high competition in the industry with the prevalent use of Unofficially Promoted Ratings or Reviews by market participants;
- iii. the relevant sales and marketing activities primarily included inviting influencers or engaging intermediaries to invite influencers to review our products. The relevant influencers were given the relevant products at a discount, which was usually up to 100% of the purchase price, or otherwise involved the offering of coupons to the relevant influencers, which were included in the product packaging for the products provided with relevant rewards, for example, product warranty extension for the products provided. For products provided to influencers for trial and review, no revenue was recognized, and relevant costs of the products and expenses in relation to providing such products for trial and review were recorded as selling expenses. In the six months ended June 30, 2021, the amount of selling expenses in relation to relevant Unofficially Promoted Ratings or Reviews activities was less than 1% of the amount of revenue during the same period;
  - iv. the sales and marketing personnel primarily adopted the relevant Unofficially Promoted Ratings or Reviews for newly launched products to assess market acceptance, similar to our then concurrent promotional activities under the Amazon Vine program, an official program operated by Amazon, where selected customers receive products at no cost for trial and share their ratings and reviews. Nevertheless, as it would take a longer time for products to be selected and reviewed under the Amazon Vine program, the relevant sales and marketing personnel resorted to Unofficial Promoted Ratings or Reviews in order to obtain quicker responses; and
  - v. the relevant sales and marketing personnel were not cognizant of the potential implications of using Unofficially Promoted Ratings or Reviews because, as confirmed by Frost & Sullivan, such activities were commonly seen in the industry at the time, and no actions had been taken in respect of such Unofficially Promoted Ratings or Reviews in the market by online e-commerce platforms at the time.

Although it is possible to continue selling the affected product listings under the relevant brands in other stores despite their initial removal at the Restricted Online Stores, after considering that (a) the negative publicity of the Amazon Incident might have impacted the reputation of those indirectly affected brands and (b) it might be less efficient for us to restore our previous brand reputation compared to cultivating a new brand matrix, we decided to: (i) stop the promotion of all the indirectly affected brands and gradually clear the inventory of the products under these brands in other online stores or via offline channels; (ii) discontinue sales of products under the affected product listings, taking into account the progress of inventory clearance; and (iii) cultivate new brands after the Amazon Incident. As advised by a special U.S. counsel engaged to advise on the Amazon Incident, the selling of the affected product listings (i) in other online stores which were not then restricted or in new stores or (ii) under new brands is not prevented and is in compliance with relevant laws, the Amazon platform's policies or any other contractual agreement entered between us and Amazon. We have conducted the following measures to cultivate new brands:

- i. we have refined our portfolio under previous product categories based on our experience and understanding of market demand and industry trends;
- ii. we have improved the design and/or appearance, as well as the function of, certain related products; and
- iii. we have started providing the relevant products in new online stores under new brands.

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While continuing our approach to designate teams overseeing the operation and management under their respective categories to leverage their differentiated expertise and market acumen, we have systematically established and enhanced relevant internal control mechanisms to prevent similar activities and ensure compliance with relevant platform policies on Amazon and all e-commerce platforms since May 2021. In particular:

- i. we have established a risk control department, which directly reports to the Board, responsible for monitoring and ensuring compliance with rules of e-commerce platforms including Amazon. This risk control department has drafted and released relevant account risk management policies, which explicitly prohibit sales and marketing activities in breach of relevant platforms' rules. The risk control department is also designated to implement regular monitoring through periodic randomized audits on selected seller accounts, analysis of key account listings to track fluctuation in discount rate and require relevant personnel to provide explanations for identified anomalies in discount rates;
- ii. we have established systematic training programs to ensure compliance with the rules and policies of e-commerce platforms. In addition, we have implemented regular reviews with third-party agencies and counsels;
- iii. we have implemented specific accountability mechanisms among employees. If further violation is identified, we have the right to terminate employment contracts with involved employees and impose disciplinary actions on the involved employees' direct line managers, including fines and cancelation of remuneration raises or promotion opportunities;
- iv. we have established a whistleblowing and rewards system that provides an internal anonymous reporting mechanism. This encourages employees to report any suspicious activity or evidence of Unofficially Promoted Ratings or Reviews;
- v. our finance department has enhanced its internal control to detect and prevent irregularities related to activities including Unofficially Promoted Ratings or Reviews via a financial management system with stricter approval procedures over requests for advances, expenses and reimbursements. Before employees commence any sales and marketing activity, they must complete a request form detailing the underlying rationale and ensure compliance with relevant laws, regulations and platform policies; and
- vi. we have hired an experienced employee from Amazon to assist in relevant internal control mechanism enhancement.

As advised by a special U.S. counsel engaged to advise on the Amazon Incident: (i) though Unofficially Promoted Ratings or Reviews could be found to be in contravention of relevant contractual agreements with Amazon, the likelihood of Amazon initiating any legal action against us is exceedingly low; (ii) though the Unofficially Promoted Ratings or Reviews could be found to be in violation of section 5(a) of the FTC Act, (a) the FTC's enforcement measures do not involve criminal proceedings and (b) under current law, civil penalties are not applicable in our case; and (iii) as significant improvements have been made throughout the Group in terms of compliance, the risk associated with future sales on the Amazon platform should be minimal.

According to our Germany counsel's opinion,

- i. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be potentially viewed as a violation of the relevant Amazon agreements, policies and guidelines applicable to our operation on Amazon German site,

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- considering (i) the fact that we have already taken the remediation steps following Amazon's actions in 2021 to fully comply with the relevant rules and policies, (ii) the amicable settlement reached with Amazon and (iii) the time elapsed since the occurrence of the Amazon Incident, it is unlikely that Amazon will pursue further actions against us and our subsidiaries and our Directors as long as we and our subsidiaries continue to comply with the relevant Amazon agreements, policies and guidelines;
- ii. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of the applicable German laws and regulations, including, among others, the German Unfair Competition Law and German Consumer Protection Law, implicating potential civil, criminal and administrative liabilities as well as claims from consumer protection associations resulting in a possible confiscation of profits, considering (i) the time significantly elapsed since the Amazon Incident, (ii) we have implemented stringent compliance measures and (iii) the difficulty for competitors, consumers and/or consumer protection associations in proving all relevant legal requirements and/or specifying damages that have been potentially suffered by competitors and/or customers, the risk of us or our subsidiaries being sued or held liable for our employees' use of Unofficially Promoted Ratings or Reviews under applicable laws and regulations of Germany seems rather low. In addition, our current Directors are not likely to be held liable personally; and
  - iii. furthermore, the above risks for future penalties under the law of Germany while we and our subsidiaries continue selling on the Amazon platform and other sales platforms are minimal as long as the relevant rule and regulations have been followed.

According to our Italy counsel's opinion:

- i. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of the relevant Amazon Services Europe Business Solutions Agreement and other policies applicable to our operation on Amazon Italian site, considering that Amazon had already taken actions in 2021 and on the basis of the time elapsed and the fact that we have ceased the use of Unofficially Promoted Ratings or Reviews, it is unlikely that: (i) Amazon will again take action against us and/or the Group by deactivating accounts and blocking funds for the Amazon Incident; (ii) the likelihood of us being requested by Amazon to indemnify Amazon for our employees' previous use of Unofficially Promoted Ratings or Reviews is low/remote; and (iii) no liability should be borne by our Directors and senior management team for the violation of applicable agreements, policies and guidelines of Amazon;
- ii. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of the Italian Consumer Code (the Italian Legislative Decree no. 206 of 6 September 2005) and the Italian Legislative Decree 145/2007 governing misleading advertising, considering the time that has elapsed since the Amazon Incident, the burden of proof being on the consumers and the fact that no claim has been brought so far: (i) the likelihood of relevant regulatory authorities initiating any action concerning the Unofficially Promoted Ratings or Reviews against us and/or the Group is low; and (ii) the likelihood of any consumer or third parties successfully bringing any claims against us is remote;

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- iii. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of Legislative Decree n. 231/2001, implicating administrative liabilities for us and our subsidiaries, the likelihood that the Unofficially Promoted Ratings or Reviews would trigger such administrative liability of us and our subsidiaries is very low due to the time that has elapsed since the Amazon Incident and the difficulty or improbability in bringing a claim against us and our subsidiaries;
- iv. a charge of liability pursuant to Italian domestic laws against our Directors is fairly unlikely and it is also unlikely that any Italian authorities could find our Directors and the senior management team liable for the Unofficially Promoted Ratings or Reviews; and
- v. as we have ceased the use of Unofficially Promoted Ratings or Reviews and have established comprehensive internal control measures since the Amazon Incident, the risk of the relevant regulatory authorities or consumers/undertakings taking action against us and/or the Group and our Directors under the relevant Italian domestic laws can be excluded. The Group should presently not face any risk of indemnification claims, termination of agreements or delisting or any other actions from Amazon while we continue selling on the Amazon platform and other sales platforms.

According to our U.K. counsel's opinion,

- i. although our employees' previous use of Unofficially Promoted Ratings or Reviews was in contravention of the Anti-Manipulation Policy for Customer Reviews — Amazon Customer Service and Amazon Business Accounts Terms & Conditions which are applicable to our operation on Amazon U.K. site, considering we have already fully rectified since Amazon had taken action in 2021 and are now in full compliance with relevant rules and policies and no action has been taken by Amazon since then against us, the risk of us, our subsidiaries and/or our Directors and senior management being sued due to our use of Unofficially Promoted Ratings or Reviews under applicable laws and regulations is very low in U.K. as long as our and our subsidiaries' activities continuously respect the relevant Policies;
- ii. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of the Consumer Protection from Unfair Trading Regulations 2008, implicating potential civil and criminal liabilities, considering the time elapsed since the Amazon Incident and that we have rectified the relevant practices, the likelihood of relevant regulatory authorities initiating any action concerning the Unofficially Promoted Ratings or Reviews against us or our subsidiaries and/or our Directors and senior management is remote; and
- iii. furthermore, the above risks for future penalties under the law of U.K. while selling on the Amazon platform and other sales platforms are minimal as long as the relevant rules and regulations have been followed.

According to our France counsel's opinion,

- i. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of the relevant Amazon agreements, and policies and guidelines in relation to the Amazon Incident applicable to our operation on Amazon French site, considering: (i) Amazon having already taken action against us

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in 2021; (ii) the practice being common in the industry; (iii) Amazon not having taken any further coercive measures against us; and (iv) we having rectified and ceased the practices of Unofficially Promoted Ratings or Reviews, the risk of Amazon taking further action against us and our subsidiaries is very low; and no liability should be borne by our Directors and senior management team for the violation of Amazon Policies;

- ii. although our employees' previous use of Unofficially Promoted Ratings or Reviews could be found in contravention of relevant laws and regulations of France, which may lead to the risk of us and our subsidiaries being sued or the risk of Amazon being condemned and request indemnification from us or our subsidiaries, considering: (i) there being no known former or ongoing investigation against Amazon or us and our subsidiaries related to the use of Unofficially Promoted Ratings or Reviews carried out by us and/or our subsidiaries or court decision identified in which an online platform has been condemned for similar practices; (ii) the time that has elapsed since the Amazon Incident; (iii) the fact that we have ceased using Unofficially Promoted Ratings or Reviews since the Amazon Incident and our remedial measures; and (iv) such practice was common practice in the market before the Amazon Incident, the risk of us, our subsidiaries or our Directors and senior managers being sued or prosecuted or Amazon being condemned and request indemnification from us or our subsidiaries due to our employees' use of Unofficially Promoted Ratings or Reviews under applicable laws and regulations in France is very low; and
- iii. we have initiated strong remedial measures, the risk for future penalties for similar incident under the applicable French domestic laws and the Amazon agreements, policies and guidelines and the abovementioned legal schemes while we continue promoting brands on the Amazon platform can be excluded as long as there is no similar incident in the future.

Our Directors are of the view that our enhanced internal control measures implemented after the Amazon Incident are sufficient and effective to detect and prevent the use of Unofficially Promoted Ratings or Reviews based on the following:

- (i) we have conducted corresponding employee training and assessment on the internal control system that prevents the use of Unofficially Promoted Ratings or Reviews;
- (ii) we have implemented specific accountability mechanisms among our employees, which also serve as a powerful deterrent. In particular, we will terminate employment contracts with employees who are found to be engaged in Unofficially Promoted Ratings or Reviews;
- (iii) our customer service system has set keyword filters to prevent customer service staff contacting customers privately and asking for positive reviews or adjusted reviews; and
- (iv) in the view of the internal control consultant, no internal control deficiency was found based on the work performed in relation to the sufficiency and effectiveness of the enhanced internal control measures implemented after the Amazon Incident to detect and prevent the use of Unofficially Promoted Ratings or Reviews.



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The Amazon incident did not involve any intention to defraud nor acted in bad faith of our Directors. Our Directors are of the view, and the Sole Sponsor concurs, that Amazon Incident does not impugn the integrity and competency of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules, for the following reasons:

- (a) i) our Directors were not involved in handling or approving the use of nor has any specific knowledge of the use of Unofficially Promoted Ratings or Reviews prior to the Amazon Incident; ii) neither we nor our Directors had the intention to defraud nor acted in bad faith in respect of using the Unofficially Promoted Ratings or Reviews; iii) under our Amoeba management system, the sale and marketing personnel of the respective business units were responsible for conducting sales and marketing activities; and iv) as the use of Unofficially Promoted Ratings or Reviews were commonly seen in the industry, our employees were not cognizant of the potential implication at the time;
- (b) we had promptly ceased the use of Unofficially Promoted Ratings or Reviews since May 2021, reviewed and inspected the operations of our online stores, and enhanced our internal controls to ensure compliance with platform polices and prevent similar event in the future;
- (c) i) the financial impact of the Amazon Incident was fully reflected in the our financial results; ii) we recovered from the adverse impact of the Amazon Incident on our business operations and financial performance; iii) substantially all of the frozen funds have been released and the inventory clearance has been completed; for further details, see "Financial Information — Period-to-Period Comparison of Results of Operations — Year Ended December 31, 2022 Compared with Year Ended December 31, 2021," "Financial Information — Period-to-Period Comparison of Results of Operations — Year Ended December 31, 2023 Compared with Year Ended December 31, 2022" and "Financial Information — Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade receivables," respectively;
- (d) we kept constant communications and maintained an amicable relationship with Amazon before and after the Amazon Incident, and additionally expanded our sales network to enhance cooperation with other e-commerce platforms, such as Walmart and Wayfair for diversification;
- (e) we, under our code of conduct, have required employees to comply with the rules and policies of relevant e-commerce platforms and local laws and regulations;
- (f) upon its review, the internal control consultant found no internal control deficiency based on the work performed in relation to the sufficiency and effectiveness of the enhanced internal control measures implemented after the Amazon Incident to detect and prevent the use of Unofficially Promoted Ratings or Reviews.

## OUR CUSTOMERS

During the Track Record Period, our customers of sales of products primarily consisted of consumers who buy our products through third-party e-commerce platforms, and customers of our logistics solutions primarily consisted of sellers on e-commerce platforms. Revenue from our five largest customers in each year during the Track Record Period represented 3.2%,

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5.4% and 8.3% of our total revenue for the respective years. Revenue from our largest customer in each year during the Track Record Period represented 1.3%, 2.1% and 3.0% of our total revenue for the respective years.

We are committed to providing satisfactory customer service to increase consumer experience. For consumers who purchase our products on third-party e-commerce platforms, we provide customer services through communication channels provided by the platforms. To ensure timely responses, we maintain a dedicated customer service team in addition to the customer service provided by those platforms. Our team primarily handles customer requests for product exchanges or returns that cannot be fully resolved by the platforms.

We have product exchange and refund policies that are in line with the standard regulations of the third-party e-commerce platforms we collaborate with. During the Track Record Period, we have not experienced material product returns or recalls.

### COMPETITION

We primarily compete in the global B2C e-commerce market for furniture and home furnishings for sales of products. According to Frost & Sullivan, the global B2C e-commerce market for furniture and home furnishings has increased rapidly from USD145.6 billion in 2018 to USD325.8 billion in 2023 in terms of GMV, with a CAGR of 17.5%. According to Frost & Sullivan, the global B2C e-commerce market for furniture and home furnishings is highly fragmented and competitive. Market participants compete based on their operational capabilities, supply chain management and product development.

We ranked fifth in the global B2C e-commerce market for furniture and home furnishings in terms of GMV in 2023, according to Frost & Sullivan. We ranked first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2023, according to the same source. Leveraging our established position, we believe we are well positioned to keep seizing the target market potential with strong brand building, high-quality product offerings at an affordable price, strong product design and development capabilities, robust supply chain systems and a comprehensive warehousing and logistics chain.

We also compete in the B2C export e-commerce logistics solutions market adopting the pre-sale stocking model for provision of logistics solutions. According to Frost & Sullivan, the market is expected to grow rapidly to reach RMB387.0 billion in 2028 in terms of revenue, with a CAGR of 13.7% from 2023 to 2028.

In terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, Shenzhen Westernpost ranked fourth among all B2C export e-commerce logistics solutions providers in China, with a market share of approximately 1.2%, and first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods, according to Frost & Sullivan. Leveraging our established position, we believe we are well positioned to keep seizing the market opportunities with continuous innovation, strong supply chain management and efficient logistics solutions, especially those for medium-to-large goods.

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### INFORMATION TECHNOLOGY SYSTEMS

We have established a robust and secure IT framework that underpins almost all aspects of our operations, such as raw materials, supply chain management, operations, sales monitoring, warehousing, logistics and after-sales services.

The details of our primary IT systems are set out below:

- **ERP system:** We develop and utilize the enterprise resource planning ("ERP") system to collect all necessary data for our business. In particular, it is used to manage our incoming and outgoing inventory. Driven by advanced and systematic management principles, the ERP system centralizes both online and offline orders and automatically checks the inventory status as soon as orders are received by the system. This allows us to track our inventory levels in real time, and thereby maintain inventory at the optimal level and enhance our working capital adequacy. With the ERP system, we are able to quickly respond to and synchronize our production with fluctuating market trends and customer demand. Our shipment accuracy is also effectively ensured as the ERP system will conduct a double-check before dispatch.
- **Product listing system:** Our product listing system is designed to seamlessly integrate with major third-party e-commerce platforms such as Amazon and Walmart. This system includes functions such as product information management, operational listing and product optimization. We use this system to manage product listings across e-commerce platforms from various countries in a one-stop manner, which reduces the need to log into each platform separately, which significantly enhances our operational efficiency. In addition to ensuring high productivity, this system is equipped with built-in risk control rules. This preview of product information ensures compliance with regulations across different countries and platforms.
- **Hawk-Eye system:** Through the analysis of product rankings and operating metrics publicly available online, the Hawk-Eye system provides us with insight into target products and markets. It also serves to facilitate internal product selection, product optimization and decision-making.
- **WMS:** We use the WMS to collect data concerning orders from multiple sales channels and perform order dispatch, after-sales support and other functions for orders from all over the world based on various channel rules and target markets. Its designed peak daily order processing capacity can exceed 500,000 orders per day. By remotely manage warehousing and logistics operations including export container planning, warehousing, signing, transfer and inventory, the WMS enables us to manage and monitor operations for self-operated and third-party warehousing.
- **TMS:** Through the integration of respective advantages of traditional air, sea and land transportation, direct mail, overseas warehouse and global consumer market logistics channels, the TMS is able to generate the best logistics strategies for different sales channels and orders. In light of our global terminal logistics delivery capacity, we employ the TMS to make targeted plans for bulk cargo exports, by analyzing sales and supply chain information and monitoring warehouse capacity and international shipping price fluctuations. This enables us to satisfy orders and deliveries while reducing circulation costs. The TMS also carries out compliance management of import and export operations including export declaration, tax refund, import declaration for destination country, commodity inspection, taxation and other stages, ensuring we meet the compliance requirements of different countries and regions in many aspects such as customs, taxation, intellectual property, inspection and quarantine and safety.

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### AWARDS AND RECOGNITIONS

We received awards and recognition relating to our products, technology and innovation, significant examples of which are set forth below:

Year	Awards/Recognition	Awarding Authority
2023	China Customs Cross-border E-commerce Statistical Survey Key Sample Enterprise (中國海關跨境電商統計調查重點樣本企業)	General Administration of Customs of the People's Republic of China (中華人民共和國海關總署)
2022	High-Tech Enterprise Certificate (國家高新技術企業證書)	Science and Technology Innovation Committee, Finance Committee and Taxation Bureau (科創委、財政委、稅務局)
2022	The 8th International Trust Brand (第八屆國際信譽品牌)	Shenzhen Famous Brand Evaluation Committee (深圳知名品牌評價委員會)
2021	National Centers for Industrial Design (國家級工業設計中心)	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部)
2021	Guangdong Industrial Design Center (廣東省工業設計中心)	Guangdong Provincial Department of Industry and Information Technology (廣東省工業和信息化廳)
2021	BrandZ™ Top 50 Chinese Overseas Brand (BrandZ™中國出海品牌50強)	WPP, Google
2021	Guangdong-Hong Kong-Macao Greater Bay Area Enterprise Innovation Ranking: Innovation Achievement List, Innovation Outstanding Figures List (粵港澳大灣區企業創新力榜-創新成就榜, 創新傑出人物榜)	Shenzhen Federation of Industry (深圳工業總會)
2020	Digital Commerce Demonstration Enterprise (數字商務示範企業)	Ministry of Commerce of the PRC (中華人民共和國商務部)
2018	National E-commerce Demonstration Enterprise (國家級電子商務示範企業)	Ministry of Commerce of the PRC (中華人民共和國商務部)

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### INTELLECTUAL PROPERTY

Our intellectual property rights are key to our competitiveness, primarily consisting of trademarks, copyrights, patents and the domain names we use. As of the Latest Practicable Date, we had 70 registered trademarks, 166 patents and 171 software copyrights as well as 57 trademarks and 100 patents under application in the PRC. As of the same date, we had 1,168 registered trademarks and 464 patents as well as 87 trademarks and 80 patents under application overseas. As of the same date, we had a total of 362 domain names, including 11 registered in the PRC. See “Appendix V — Statutory and General Information” for more details of our material intellectual property rights.

We undertake a proactive approach to manage our intellectual property portfolio. We designate dedicated personnel to handle intellectual property-related issues, whose daily work includes monitoring the application status of intellectual property rights and performing routine checks on the public trademark registration platform to ensure our trademarks are not infringed by third parties. We have also engaged intellectual property experts and legal consultants to assist our IP rights protection.

We have implemented various measures to detect potential IP infringements such as product counterfeit, including market visits by our sales team and hotlines to collect consumer complaints and reports. After discovering incidents of infringements, we collect supporting information, assess the impact of the infringement and determine the approaches, including, but not limited to, filing industrial and commercial complaints, litigation and reporting to regulatory authorities, based on the circumstances with the support of intellectual property experts or legal consultants.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to infringement of intellectual property rights which would have a material adverse effect on our business. See “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to claims by third parties for intellectual property infringement or other allegations.”

### EMPLOYEES

As of December 31, 2023, we had a total of 1,397 employees, the majority of whom are based in Shenzhen, China. The following table sets out the number of our employees by function as of December 31, 2023:

<b>Function</b>	<b>Number of Employees</b>	<b>% of Total</b>
Product development, operation, sales and marketing . . . . .	722	51.7
Procurement and supply chain management . . . . .	301	21.5
Administrative . . . . .	274	19.6
Warehousing . . . . .	100	7.2
<b>Total</b> . . . . .	<b>1,397</b>	<b>100.0</b>

Our business growth and development hinge on our capacity to attract, retain and motivate competent employees. During the Track Record Period, we recruited our staff through various means such as on-campus recruitment, job fairs, recruitment agencies and both internal and external referrals. We are devoted to offering fair and equal opportunities in all our employment practices and have implemented policies and procedures. As part of our retention strategy, we provide competitive salaries, extensive insurance packages and merit-based incentives typically based on individual and overall business performance.

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In terms of training, we conduct orientation programs for new employees to familiarize them with our company culture, business and industry, with the aim of enhancing their understanding of our company and facilitating their work performance. We also regularly offer bespoke in-house training to our existing employees to enhance their technical skills or arrange for them to attend third-party training sessions. Moreover, we offer management skills training to certain employees to assist them in transitioning into managerial roles.

As of December 31, 2023, we had established labor unions in China. We maintain a positive working relationship with our employees, and we have not experienced any material labor disputes or recruitment difficulties during the Track Record Period.

### LICENSES, PERMITS AND CERTIFICATES

We are required to obtain various licenses, permits and certifications for our operations. Our legal department is responsible for monitoring the validity status of our licenses and permits and make timely applications for renewal to relevant government authorities. We have not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in Mainland China, Hong Kong, the U.S. and Germany and such licenses, approvals and permits were valid and remained in effect.

### INSURANCE

We maintain limited insurance policies covering risks with respect to our properties and inventories. We currently do not maintain product liability insurance for our products, and we do not carry any business interruption or litigation insurance. We believe such practice is in line with the customary practice of our industry.

### PROPERTIES

Our corporate headquarter is located at Shenzhen, China. As of the Latest Practicable Date, we owned three properties in China and were leasing 14 and 23 material properties in China and overseas with an aggregate GFA of approximately 27,589 sq.m. and 288,846 sq.m., respectively. Our leased properties are primarily used for warehousing and office purposes. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with laws and regulations regarding certain of our owned or leased properties may adversely affect our business, financial condition and results of operations."

As of December 31, 2023, we had no single property with a carrying amount of 15% or more of our total assets, and no single property interest that forms part of our property activities had a carrying amount representing 1% or more of our total assets as of December 31, 2023, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

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### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We have been, and will continue to be, highly committed to sustainable corporate responsibility projects. We place a high value on our social responsibilities and regard environmental, social and governance ("ESG") issues as crucial to our continuous development. Our attention is centered on economic responsibility, employee responsibility, environmental responsibility and public responsibility. We intend to establish metrics and targets for these ESG projects and routinely assess our primary ESG performance. Our Directors will actively be involved in formulating our ESG strategies and objectives and will regularly evaluate, determine and manage our ESG-related risks.

#### ESG Governance

We acknowledge our responsibilities towards environmental protection and social responsibilities, and are aware of the potential impact of climate-related issues on our business. We are dedicated to complying with environmental, social and governance reporting requirements upon [REDACTED]. We have formulated ESG policies ("ESG Policies") in line with the standards of Appendix 27 to the Listing Rules. This policy encompasses: (i) risk governance on ESG matters, including climate-related risks and opportunities; (ii) stakeholder identification and engagement; (iii) ESG governance structure; (iv) ESG strategy development procedures; (v) ESG risk management and monitoring; and (vi) the identification and measurement of key performance indicators ("KPIs") and mitigation measures.

Our ESG policy also delineates the roles and responsibilities of different parties involved in these processes. Our Board is responsible for overseeing and determining the environmental, climate-related and social risks and opportunities that affect us, establishing and adopting ESG Policies, strategies and targets and annually reviewing our performance against these targets, making necessary revisions if significant deviations are identified.

We have implemented a cross-departmental approach to report on ESG issues to our management. We intend to form an ESG working group to assist our Board in implementing the established ESG Policy, targets and strategies, conducting assessments of environmental, climate-related and social risks and evaluating how our business should adapt in response to climate change. The ESG working group will also in general be responsible for collecting ESG data from relevant stakeholders, continuously monitoring the implementation of measures to address our ESG-related risks and responsibilities, investigating deviations from targets and coordinating with relevant departments to implement prompt corrective actions. The ESG working group will periodically report to our Board on our ESG performance, the effectiveness of our ESG systems and any relevant recommendations.

#### Metrics and Targets

We strictly comply with the standards, metrics and targets established by relevant PRC environmental laws and regulations to evaluate and manage the environmental impact of our business activities, such as the use or consumption of potentially hazardous or harmful substances during the sales and delivery of our products.

To fulfill our environmental and social responsibilities, we have implemented various measures to enhance energy and water efficiency in our operations. For example, 510 photovoltaic panels are built on one of the buildings we locate our office in, generating 336.5 thousand volts of electricity and enhancing energy efficiency. We also maintain records of our daily electricity and water usage. In 2023, our electricity consumption and water consumption amounted to 2,220.5 MWh and 17,830.5 tons, respectively.

#### Energy and Water Consumption

We are expected to reduce energy consumption through the implementation of comprehensive energy utilization projects such as; (i) facilitating the use of electronic documents to reduce the use of paper; and (ii) instructing employees to timely turn off indoor lights, electronic equipment and air conditioning.

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We are expected to reduce fresh water consumption through the implementation of water saving projects such as: (i) strengthening the routine maintenance and management of water usage and drainage equipment; (ii) encouraging employees to develop water-saving habits and proactively stop wastefulness and report faucet leaks; and (iii) prudent use of cleaning products to protect water sources from contamination.

We have also formulated internal policies addressing the foregoing requirements for electricity, paper and water saving for our employees.

### **Sustainable Development**

We strive to reduce our environmental footprint through our dedication to sustainable development. Our initiatives to reduce plastic waste include the introduction of lightweight packaging and enhancements to our packaging process to minimize the consumption of natural timber. Specifically, we have incorporated degradable packaging materials. Our goal is to progressively decrease our overall plastic consumption.

### **Risk Management and Mitigating Measures**

We are in the process of implementing a range of comprehensive and effective strategies to identify, evaluate, manage and mitigate ESG-related risks. For instance, we use an energy management system to monitor energy consumption data and create internal reports; we employ a sewage treatment system to monitor and reduce water pollutant discharge; and we utilize an exhaust gas treatment system to lower air pollutant concentrations. For more information on our risk management policies and procedures, including the processes of identifying and assessing risks, see “— Internal Control and Risk Management.” Furthermore, with the target of minimizing the environmental impact of our business operations, we are developing our environmental protection management and control procedures to provide guidance on managing and handling ESG-related issues.

We will also persistently keep track of climate-related matters and developments in government actions to deal with climate change and take necessary steps to minimize their impact on our operations.

### **Our Strategies in Addressing ESG-Related Risks and Opportunities**

Climate-related issues are a top priority for us. Under the supervision of our Board, we actively identify and monitor climate-related risks and opportunities in the short, medium and long term, and strive to integrate these issues into our business operations, strategy and financial planning. For instance, we consistently work towards reducing energy consumption and greenhouse gas emissions through energy-saving transformations.

If the risks and opportunities are considered to be material, we will incorporate them into our strategic and financial planning processes. Our long-term goal is to minimize transition risk through improved energy efficiency, the adoption of a green supply chain, the use of environmentally friendly ingredients and the consumption of renewable energy. We are committed to our emission reduction targets, which not only reduce our exposure to transition risk but also enhance the environmental performance of our products. We conduct an annual review of our progress against our targets on climate-related issues, and we may adjust our ESG strategies accordingly as appropriate.



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### Environmental Protection

We operate under various PRC environmental laws and regulations, which entail regular inspections by local environmental protection authorities. See "Regulatory Overview." While our operations do not directly involve the production of raw materials that result in significant air emissions, wastewater emissions or waste production, our operations may have some indirect environmental effects such as greenhouse gas emissions produced by our suppliers during product manufacturing, as well as emissions during the delivery of our products by third-party or in-house logistics solutions providers. To minimize the potential environmental impacts associated with our operations in accordance with our ESG targets, we have implemented a range of effective measures on a firm-wide basis. For example, our suppliers are contractually required to meet the environmental requirements or regulations of the designated countries or regions where our products are sold or the relevant third-party e-commerce platforms. To reduce the volume and cost of packaging materials, we encourage structural upgrading and innovation and facilitate waste recycling. We have also established internal policies to raise the awareness of sustainable development among our employees and encouraged them to save energy by reusing paper and conserving water and electricity resources within our offices.

During the Track Record Period and up to the Latest Practicable Date, our PRC Legal Advisor confirmed that we had not committed any material breaches of environmental laws and regulations applicable to our operations, nor had we suffered any material claims or penalties due to violations of environmental laws and regulations. During the same period, none of our business, strategy or financial performance had been materially adversely affected by any actual or potential impacts of environmental-related risks.

### Social Responsibility

We operate under the PRC laws and regulations relating to occupational health and safety. See "Regulatory Overview." We have established safety guidelines that our employees must strictly adhere to, and we provide our production staff with sufficient safety equipment. We routinely assess our office equipment and supplies to ensure their safety for our operations. Additionally, we conduct regular training sessions for employees to enhance their understanding and knowledge of safety procedures and accident prevention. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents resulting in personal injury or property damage, nor did we face any material claims, lawsuits, penalties or disciplinary actions due to any material accidents.

We are dedicated to promoting diversity, equity and inclusivity within our working environment, offering equal opportunities and fair treatment to all our employees. We have a balanced employee composition, and as of December 31, 2023, 58.8% of our total employees were women. We also provide diverse health, promotion, welfare and training policies for our employees, including free EMBA courses and classes. With the establishment of an in-house charity fund, we help employees in need by making monthly deposits to the fund.

Leveraging our resources and expertise, we have been and will continue to be dedicated to sustainable corporate responsibility initiatives. For example, during the COVID-19 outbreak, we actively donated money, thousands of disposable masks and other anti-epidemic supplies to local and international medical institutions. We also proactively participate in various initiatives of local communities such as talent shows or youth networking activities.

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### DATA PRIVACY AND PROTECTION

During our daily business operations, we process personal information, including names, postal addresses and phone numbers. We are dedicated to safeguarding personal information and privacy. For example, in offline sales scenarios, we fulfill our obligation to notify personal information processing rules through a personal information processing consent letter in accordance with the law, and process personal information based on the individual's consent.

We have developed a series of internal management policies and operating procedures for data protection and personal information protection, and have implemented corresponding technical measures to prevent data security incidents such as data leakage.

- We have developed and enforced strict policies to safeguard our IT systems against cyberattacks during our ordinary online sales activities. We comply with the international information security management system standard (ISO27001) and the national standard (GB/T22080-2016), accordingly deploy firewalls and conduct data access control through security policies. In addition, with database audits, high-strength firewalls and security reinforcement provided by established security vendors, we regularly organize tests and perform security scans on our systems.
- We offer internal training to our sales and operations employees on cybersecurity, aiming to increase their understanding and awareness of cyber threats and relevant countermeasures. Our internal guidelines also require our employees to abide by information security regulations, in order to ensure safety of the relevant information involved in the business operations.
- Additionally, we set up firewalls to prevent unauthorized access to our information systems. Our skilled IT staff routinely back up sales statistics and financial data from our daily operations and carry out regular checks on the availability and security of our data assets.

We have implemented a number of internal policies to manage and safeguard customers' personal information. For example, we have established internal policies to define the distribution of responsibilities for protecting personal information within the company, as well as the basic security requirements for all stages of the personal information processing life cycle. Additionally, we have implemented corresponding technical measures to ensure personal information security, such as encryption. During the Track Record Period and up to the Latest Practicable Date, we have complied with applicable data security and personal information protection laws and regulations in the jurisdictions where we operate in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to regulatory investigations, administrative penalties or public notifications related to data security and personal information protection, and we have not experienced any significant data security incidents related to theft, leakage, damage or loss of data or personal information.

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### INTRA-GROUP TRANSACTIONS

The Organization for Economic Cooperation and Development (the "OECD"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "OECD Transfer Pricing Guidelines"). According to the OECD Transfer Pricing Guidelines, our intra-group transactions should be on an arm's-length basis.

During the Track Record Period, we carried out our operations mainly in Mainland China, Hong Kong, the U.S. and Germany. We have engaged an independent transfer pricing consultant who was appointed to conduct benchmarking studies on the intra-Group transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guidelines and applicable rules and laws on transfer pricing. After assessing transfer pricing arrangements during the Track Record Period in compliance with the applicable transfer pricing regulations in Mainland China, Hong Kong, the U.S. and Germany in all material respects, there was no need for any material transfer pricing adjustment within our Group.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit, investigation or challenge by any relevant tax authorities in Mainland China, Hong Kong, the U.S. and Germany in relation to our intra-group transactions.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no unresolved litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

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### INTERNAL CONTROL AND RISK MANAGEMENT

We are exposed to various risks during our operations. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our procurement and production as well as monitoring our sales performance and product quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control systems. For the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management;"
- adopt various policies to ensure compliance with the Listing Rules, including, but not limited to, aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training sessions for our Directors, supervisors and senior management in respect of the relevant requirements of the Listing Rules;
- establish a set of emergency procedures in the event of major quality-related issues; and
- provide enhanced training programs on quality assurance and product safety procedures.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments. The Board is responsible, and has the general authority for, the management and operation of our Company.

The following table sets out information in respect of the Directors:

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and Senior management
<b>Executive Directors</b>						
Mr. Lu Haizhuan (陸海傳先生)	[44]	Founder, chairperson of the Board, executive Director and chief executive officer	September 2010	September 2010	Responsible for the overall business strategies and operations of the Group	The brother of Mr. Lu Songdu and the brother-in-law of Mr. Hu Dianfeng.
Mr. Ze Kuaiyue (韋會越先生)	[46]	Co-founder, vice chairperson of the Board, executive Director and chief financial officer	March 2013	September 2010	Responsible for the financial management and capital market of the Group	None
Ms. Zhuang Liyan (莊麗豔女士)	[59]	Executive Director, secretary of the Board, vice chief executive officer and joint company secretary	May 2016	September 2010	Responsible for the securities affairs, internal audit supervision, media public relations and legal matters of the Group	None
<b>Non-executive Directors</b>						
Ms. Zou Jiajia (鄒家佳女士)	[45]	Non-executive Director	June 2019	June 2019	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None
Mr. Jin Hao (金豪先生)	[37]	Non-executive Director	October 2023	October 2023	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and Senior management
Mr. Lu Songdu (陸頌督先生)	[40]	Non-executive Director	June 2019	September 2010	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	The brother of Mr. Lu Haizhuan and the brother-in-law of Mr. Hu Dianfeng.
<b>Independent Non-executive Directors</b>						
Ms. Meng Rongfang (孟榮芳女士)	[58]	Independent non-executive Director	June 2019	June 2019	Responsible for providing independent opinion and judgment to the Board	None
Mr. Xu Jinke (徐勁科先生)	[50]	Independent non-executive Director	June 2019	June 2019	Responsible for providing independent opinion and judgment to the Board	None
Mr. Chen Xiaohuan (陳曉歡先生)	[42]	Independent non-executive Director	October 2023	October 2023	Responsible for providing independent opinion and judgment to the Board	None

### Executive Directors

**Mr. Lu Haizhuan** (陸海傳先生), aged [44], is our founder, chairperson of the Board, executive Director and chief executive officer. He is primarily responsible for the overall business strategies and operations of our Group.

Mr. Lu founded our Group in September 2010 and has been working in our Company and our certain subsidiaries, including Aukey International since April 2012, where he has been working as the director; Shenzhen Fantik since November 2022, where he has been working as the director.

Mr. Lu graduated from Shanghai Institute of Technology (上海應用技術大學) in finance (asset valuation and management) in the PRC in July 2001, and received a master’s degree in Economic Engineering from Fachhochschule Mannheim in Germany in March 2005. Mr. Lu is currently pursuing a doctorate degree in business administration from Cheung Kong Graduate School of Business (長江商學院) and Singapore Management University.

**Mr. Ze Kuaiyue** (迺會越先生), aged [46], is our co-founder, vice chairperson of the Board, executive Director and chief financial officer. He is primarily responsible for the financial management and capital market of the Group.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Ze co-founded our Group. He has been our executive Director since March 2013. Mr. Ze has also been directors in our certain subsidiaries, including Shenzhen Qianhai Gaoya Shengshi Enterprise Management Co., Ltd. (深圳前海高雅盛世企業管理有限公司) since April 2017, where he has been working as the executive director and general manager; Western Post (HK) since June 2020, where he has been working as the executive director; Auwin International since July 2021, where he has been working as the director; Shenzhen Aochuang Technology Innovation Co., Ltd. (深圳傲創科技創新有限公司) since May 2022, where he has been working as the executive director and general manager; Ningbo AoYing Technology Co., Ltd. (寧波傲盈科技有限公司) since November 2022, where he has been working as the executive director and general manager. Since February 2022, Mr. Ze has been serving as a non-executive director of Xiamen Fenghua Youth Private Equity Fund Management Co., Ltd. (廈門風華少年私募基金管理有限公司).

Mr. Ze received a bachelor’s degree in investment economy from East China University of Science and Technology (華東理工大學) in the PRC in July 1999. He also received a master’s degree in computer science from Reutlingen University in Germany in July 2005. He graduated from China Europe International Business School (中歐國際工商學院) in the PRC in June 2021 with a degree in master of business administration (MBA).

**Ms. Zhuang Liyan (莊麗豔女士)**, aged [59], is our executive Director, Board secretary, vice chief executive officer and joint company secretary. She is primarily responsible for the securities affairs, internal audit supervision, media public relations and legal matters of the Group.

Ms. Zhuang joined our Group in September 2010 and has been working in our Company and our certain subsidiaries, including Shenzhen Aukeyhi Technology since August 2015, where she has been working as a supervisor; Western Post (HK) since April 2021, where she has been working as a non-executive director. She has also been a non-executive director in Shenzhen Zbao Logistics Co., Ltd. (深圳市眾包物流科技有限公司) (“**Shenzhen Zbao**”), a logistics services provider and an associate of our Company, since April 2018.

Our Company is of the view that, even though there is overlap between our principal business and that of Shenzhen Zbao, on the basis that Ms. Zhuang 1) acts as our Company’s designated director holding a non-executive position in Shenzhen Zbao and 2) is not involved in the daily management and operation of Shenzhen Zbao, the directorship held by Ms. Zhuang in Shenzhen Zbao would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

From January 2007 to May 2009, Ms. Zhuang worked in Guangdong Sunton Leather Goods Co., Ltd. (廣東雅莎羅時尚皮具股份有限公司) as the general manager.

Ms. Zhuang graduated from Jilin Normal University (吉林師範大學) in chemistry in the PRC in July 1985 and received an MBA degree from Colorado City University in the United States through distance learning in June 2022. Ms. Zhuang is currently pursuing a degree in executive master of business administration (EMBA) from Cheung Kong Graduate School of Business (長江商學院) in the PRC.

### Non-executive Directors

**Ms. Zou Jiajia (鄒家佳女士)**, aged [45], has been our non-executive Director since June 2019.

Ms. Zou has been working at Ningbo Meishan Free Trade Port HongShan Huanchang Investment Management Co., Ltd. (寧波梅山保稅港區紅杉桓暢投資管理有限公司) since July 2012, with her current position as a managing director.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Zou received a bachelor’s degree in accounting from Tsinghua University (清華大學) in the PRC in July 2000 and a master’s degree in international business from University of Erlangen-Nurnberg in Germany in June 2004.

Ms. Zou was a supervisor of Chengdu Sailong Communications Co., Ltd. (成都賽龍通信技術有限公司), a company established in the PRC with limited liability, the license of which was revoked on June 19, 2018 as the company ceased operation for more than six months. Ms. Zou confirmed that as of the Latest Practicable Date, no claims have been made against her and she was not aware of any threatened or potential claims made against her as a result of the revocation of business license of the above company.

**Mr. Jin Hao (金豪先生)**, aged [37], has been our non-executive Director since October 2023.

Mr. Jin worked in KPMG Huazhen Accountant Firm (special Ordinary Partnership) (畢馬威華振會計師事務所) from September 2011 to September 2014, with his last position as a senior auditor. Mr. Jin worked as a senior consultant of Deloitte & Touche Financial Advisory Services Limited from July 2014 to September 2014. From March 2015 to November 2015, Mr. Jin has been serving as a deputy general manager of Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司). Since May 2016, Mr. Jin has been serving as a deputy general manager of Shanghai Greenwoods Equity Investment Management Limited (上海景林股權投資管理有限公司). Since October 2023, Mr. Jin has been serving as a director of Shenzhen Apeman Innovations Technology Co., Ltd. (深圳市猿人創新科技有限公司) (“**Shenzhen Apeman**”), a company specializing in sports imaging and intelligent home furnishings.

As Mr. Jin is not involved in the daily management and operation of our Company as a non-executive Director, and of Shenzhen Apeman as an investor board representative, the directorship held by Mr. Jin in Shenzhen Apeman would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Mr. Jin has been a Certified Public Accountant of PRC recognized by Shanghai Institute of Certified Public Accountants since March 2018.

Mr. Jin received a bachelor’s degree in mathematics and applied mathematics from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 2009, and a master’s degree in accounting and finance from Queensland University in Australia in July 2011.

**Mr. Lu Songdu (陸頌督先生)**, aged [40], is our non-executive Director.

Mr. Lu Songdu joined our Group in September 2010 as a promotion manager and consecutively served as the manager of French department, promotion department and website operation. He has been our non-executive Director since June 2019.

Mr. Lu Songdu received a junior college diploma in business management from Wenzhou University (溫州大學) in the PRC in July 2005.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Independent Non-executive Directors

**Ms. Meng Rongfang** (孟榮芳女士), aged [58], has been our independent non-executive Director since June 2019.

Ms. Meng has more than 30 years' experience in accounting. Ms. Meng worked in BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) from January 2000 to December 2020, with her last position as director and has served as the senior counsel afterwards. Ms. Meng served as an independent non-executive director of Asia Silicon (Qinghai) Co., Ltd. (亞洲硅業(青海)股份有限公司) from August 2019 to July 2023.

Ms. Meng has been a Certified Public Accountant of PRC recognized by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a senior accountant recognized by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) since June 1994 and September 2017, respectively.

Ms. Meng received a junior college diploma in accounting from Lixin Accounting College (立信會計高等專科學校) (currently known as Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in the PRC in July 1987. Ms. Meng received a bachelor's degree in law from East China College of Political Science and Law (華東政法學院) (currently known as East China University of Political Science and Law (華東政法大學)) in the PRC in July 2003. Ms. Meng further completed an executive master of professional accountancy program jointed established by the Chinese University of Hong Kong and Shanghai National Accounting Institute (上海國家會計學院) in the PRC in December 2008.

**Mr. Xu Jinke** (徐勁科先生), aged [50], has been our independent non-executive Director since June 2019.

Since March 2015, Mr. Xu has been serving as a senior partner in Beijing Dacheng (Shanghai) Law Offices (北京大成(上海)律師事務所). Mr. Xu also served as an independent non-executive director of Shanghai Bohe Health Technology Co., Ltd. (上海薄荷健康科技股份有限公司) from February 2021 to September 2023.

Mr. Xu holds the legal practicing certificate issued by Shanghai Municipal Bureau of Justice (上海市司法局).

Mr. Xu received a bachelor's degree in law from East China Normal University (華東師範大學) in the PRC in July 1995, and a master's degree in law from University of Technology Sydney in Australia in May 2001. Mr. Xu obtained an EMBA degree from China Europe International Business School (中歐國際工商學院) in the PRC in August 2018.

**Mr. Chen Xiaohuan** (陳曉歡先生), aged [42], has been our independent non-executive Director since October 2023.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen worked as a test engineer in Micron Semiconductor Asia Pte Ltd from June 2004 to May 2006. Mr. Chen served as an assistant manager with CCO Management Associate Department of Citibank from June 2006 to December 2007. Mr. Chen served as an analyst in Investment Banking Division of Lehman Brothers Asia Limited from January 2008 to September 2008. Mr. Chen served as the managing director and head of Business and financial services in FountainVest Partners (Asia) Limited from November 2008 to August 2021. Since November 2019, Mr. Chen has been serving as a director in Qifu Technology, Inc., a company listed on the Stock Exchange (3660.HK) and NASDAQ (Nasdaq: QFIN). Since August 2022, Mr. Chen has been serving as an independent non-executive director of Beijing Zhongguancun Kejin Technology Co., Ltd. (北京中關村科金技術有限公司).

Mr. Chen received a bachelor's degree in electronic engineering from National University of Singapore in Singapore in June 2004 and an EMBA degree from China Europe International Business School (中歐國際工商學院) in the PRC in November 2018.

### SUPERVISORY COMMITTEE

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors:

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and Senior management
Ms. Zhang Li (張麗女士)	[40]	Supervisor and vice president	May 2015	September 2010	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Ms. Hua Xiang (滑翔女士)	[48]	Supervisor	March 2012	March 2012	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Ms. Liu Meixia (劉美霞女士)	[30]	Supervisor	June 2022	July 2015	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Supervisors

**Ms. Zhang Li** (張麗女士), aged [40], was appointed as our Supervisor in May 2015.

Ms. Zhang joined our Group in September 2010 as the vice president of the human resources department of our Company. Since January 2021, Ms. Zhang has been serving as the vice president of our Group. Since May 2023, Ms. Zhang has been serving as a non-executive director in Ningbo Ruiiao Intelligent Technology Co., Ltd. (寧波瑞傲智慧科技有限公司), an associate of our Company.

Ms. Zhang received a bachelor's degree in computer science and technology from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in the PRC in July 2007.

**Ms. Hua Xiang** (滑翔女士), aged [48], was appointed as our Supervisor in March 2012.

Since June 2010, Ms. Hua has been successively serving in Shenzhen Capital Group as the investment manager and the deputy general manager of the investment department, and the general manager of the project management department.

Ms. Hua received the double bachelor's degree in finance and science and technology communication and a master's degree in management science and engineering from Science and Technology of China (中國科學技術大學) in the PRC in June 2000 and June 2003, respectively.

**Ms. Liu Meixia** (劉美霞女士), aged [30], was appointed as our Supervisor in June 2022.

Ms. Liu joined our Group in July 2015 and successively served as the training specialist, training manager, project manager and organizational development manager.

Ms. Liu obtained a certificate of Project Management Professional issued by Project Management Institute in March 2023.

Ms. Liu received a bachelor's degree in human resource management from Hunan Institute of Science and Technology (湖南理工學院) in the PRC in June 2015.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position/Title	Date of Appointment as Senior Management	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and Senior management
Mr. Lu Haizhuan (陸海傳先生)	[44]	Founder, chairperson of the Board, executive Director and chief executive officer	September 2010	September 2010	Responsible for the overall business strategies and operations of the Group	The brother of Mr. Lu Songdu and the brother-in-law of Mr. Hu Dianfeng
Mr. Ze Kuaiyue (迓會越先生)	[46]	Co-founder, vice chairperson of the Board, executive Director and chief financial officer	April 2016	September 2010	Responsible for the financial management and capital market of the Group	None
Ms. Zhuang Liyan (莊麗豔女士)	[59]	Executive Director, secretary of the Board, vice chief executive officer and joint company secretary	April 2016	September 2010	Responsible for the securities affairs, internal audit supervision, media public relations and legal matters of the Group	None
Mr. Hu Dianfeng (胡典峰先生)	[43]	Deputy general manager	May 2015	September 2010	Responsible for the operation management of our Group	The brother-in-law of Mr. Lu Haizhuan and Mr. Lu Songdu
Ms. Wu Can (吳燦女士)	[37]	Deputy general manager and chief operation officer	July 2022	September 2010	Responsible for the daily business operation of the Group	None
Mr. Fan Xinyong (范新勇先生)	[37]	Deputy general manager	September 2023	May 2017	Responsible for the logistics management of our Group	None
Mr. Sun Wei (孫巍先生)	[49]	Deputy general manager and chairperson assistant	September 2023	April 2023	Responsible for the product chain management of our Group	None

For details of the biographies of Mr. Lu Haizhuan (陸海傳先生), Mr. Ze Kuaiyue (迓會越先生) and Ms. Zhuang Liyan (莊麗豔女士), see “— Board of Directors” in this section.

**Mr. Hu Dianfeng** (胡典峰先生), aged [43], is our deputy general manager. He is responsible for the operation management of our Group.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Hu joined our Group in September 2010 and successively worked as a product development manager and website operation manager. Mr. Hu was appointed as the deputy general manager of our Group in May 2015. Mr. Hu served as an executive director and general manager of Yueqing Ruiming Advertising Co., Ltd. (樂清市瑞明廣告有限公司) from March 2004 to March 2014.

Mr. Hu received a junior college diploma in exhibition planning and management from Hainan College of Foreign Studies (海南外國語職業學院) in the PRC through correspondence courses in December 2019. Mr. Hu received a bachelor's degree in social work from Jilin University (吉林大學) in the PRC through correspondence courses in December 2021.

**Ms. Wu Can** (吳燦女士), aged [37], is our deputy general manager and chief operation officer. She is responsible for the daily business operation of the Group.

Ms. Wu joined our Group in September 2010 and successively served as the operation manager, deputy general manager of our Group and the chief operation officer.

Ms. Wu received a bachelor's degree in German from Xiangtan University (湘潭大學) in the PRC in June 2009.

**Mr. Fan Xinyong** (范新勇先生), aged [37], is our deputy general manager. He is responsible for the logistics management of our Group.

Mr. Fan joined our Group as the manager of our department of logistics management in May 2017. From January 2013 to March 2017, Mr. Fan served as the program manager of the Jiekai Communication (Shenzhen) Co., Ltd. (捷開通訊(深圳)股份有限公司).

Mr. Fan received a bachelor's degree in English from Wuhan Technology Institute (武漢科技學院) (currently known as Wuhan Textile University (武漢紡織大學)) in the PRC in June 2008.

**Mr. Sun Wei** (孫巍先生), aged [49], is our deputy general manager and chairperson assistant. He is responsible for the product chain management of our Group. Mr. Sun joined our Group in April 2023.

From July 2002 to March 2011, Mr. Sun worked in Lenovo Mobile Inc. (聯想廈華(廈門)移動通信科技有限公司) (currently known as Motorola MOBILE Communication Technology Ltd. (摩托羅拉移動通信技術有限公司)), with his last position as the manager of the management support department. From September 2015 to September 2020, Mr. Sun served in Jomoo Kitchen & Bath Co., Ltd. (九牧廚衛股份有限公司) as the director of operation management center. From September 2018 to April 2023, Mr. Sun served in IBM Solution & Services (Shenzhen) Co., Ltd. (國際商業機器科技(深圳)有限公司) as a consulting manager and project expert.

Mr. Sun obtained the first-level certificate for corporate functional department managers or supervisors issued by The Ministry of Human Resources and Social Security in the PRC (中華人民共和國人力資源和社會保障部) in October 2014.

Mr. Sun graduated from Jimei University (集美大學) with the degree in electronic instruments and measurement technology in the PRC in July 1996.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document; (ii) none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules; and (iii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

### JOINT COMPANY SECRETARIES

Ms. Zhuang was appointed as a joint company secretary of our Company in March 2024. For details of her biography, see “— Board of Directors — Executive Directors” in this section.

**Mr. Li Kin Wai (李健威)** was appointed as a joint company secretary of our Company in March 2024. Mr. Li serves as a manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. He has over 10 years of experience in the field of corporate secretary.

Mr. Li is currently a joint company secretary of Sinco Pharmaceuticals Holdings Limited (興科蓉醫藥控股有限公司), a company listed on the Stock Exchange (stock code: 6833), Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company listed on the Stock Exchange (stock code: 0460), A-living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司), a company listed on the Stock Exchange (stock code: 3319), WEILONG Delicious Global Holdings Ltd (衛龍美味全球控股有限公司), a company listed on the Stock Exchange (stock code: 9985), Shanghai Chicmax Cosmetic Co., Ltd. (上海上美化妝品股份有限公司), a company listed on the Stock Exchange (stock code: 2145) and Huaibei GreenGold Industry Investment Co., Ltd. (淮北綠金產業投資股份有限公司), a company listed on the Stock Exchange (stock code: 2450).

Mr. Li is a chartered secretary and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. He has a master’s degree in corporate governance from the Open University of Hong Kong.

### BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed four Board committees, namely the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **Audit Committee**

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Ms. Meng Rongfang, Mr. Xu Jinke and Mr. Chen Xiaohuan. Ms. Meng Rongfang serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- examining the authenticity of financial reports of our Company and monitoring financial reporting procedures of our Company;
- examining the effectiveness of risk management and internal control system of our Company;
- ensuring that our Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of our Company's accounting and reporting personnel, and the training and budget for relevant expenditures are adequate;
- reviewing results of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances, or suspected violations of laws, rules and regulations;
- evaluating whether our Company has any major internal control defaults or deficiencies;
- evaluating the nature and severity of major risks faced by our Company in the preceding financial year;
- evaluating the performance of the audit function and personnel;
- proposing the appointment of external auditors to our Board, and reviewing the qualification, independence and performance of the external auditors; and
- regularly examining the financial reports and annual reports of our Company.

### **Remuneration and Assessment Committee**

We have established a Remuneration and Assessment Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Remuneration and Assessment Committee consists of three Directors, namely Ms. Meng Rongfang, Mr. Xu Jinke and Mr. Ze Kuaiyue. Mr. Xu Jinke serves as the chairperson of the Remuneration and Assessment Committee. The primary duties of the Remuneration and Assessment Committee include, but not limited to, the following:

- formulating the overall remuneration policy and structure of our Company's Directors, Supervisors and members of the senior management, formulating proper and transparent remuneration procedures, and making suggestions to our Board;
- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- making recommendations to our Board on remuneration of individual executive Directors and member of senior management, including non-monetary benefits, pension rights and amount of compensation (including compensation for loss or termination of office or appointment);
- making recommendations to our Board on remuneration of our non-executive Directors (including independent non-executive Directors), Supervisors, advisers to the Board (if any) and committees of our Board;
- reviewing and approving compensation payable to our executive Directors, Supervisors and members of senior management for loss or termination of office or appointment, so as to ensure that such compensation is consistent with the terms of relevant contracts, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive;
- reviewing and approving compensation arrangements in relation to dismissal or removal of our Directors due to misconduct, so as to ensure that such compensation is consistent with terms of relevant contract, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive; and
- dealing with other matters as required by laws, regulations, rules, articles of our Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

### **Nomination Committee**

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Lu Haizhuan, Mr. Xu Jinke and Mr. Chen Xiaohuan. Mr. Xu Jinke serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, composition and diversity of our Board at least once a year with reference to our Company's business activities, scale of assets and shareholding structure, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;
- making recommendations on the appointment and re-appointment of our Directors (in particular, the chairperson of our Board, and including our non-executive Directors and independent non-executive Directors) and our general manager;
- conducting search in potential suitable candidates for Directors and making recommendations to our Board on the suitable candidates;



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- evaluating the independence of our independent non-executive Directors, the performance of our Directors (including both executive and non-executive Directors) and whether our Directors have devoted sufficient time in performing their duties;
- developing corporate governance standards and procedures and monitoring the implementation of such standards and procedures, and making recommendations to our Board;
- monitoring and overseeing the trainings and continuous professional development plan for our Directors, Supervisors and members of our senior management, and developing and overseeing the compliance of code of conducts and compliance handbook (if any) for our employees, Directors and Supervisors;
- formulating and evaluating our Board diversity policy, and making disclosures in the corporate governance report (which shall be included as part of our annual report) the relevant policies, including the nomination procedures adopted by the nomination committee and standards for the election of our Board members; and
- dealing with other matters that are authorized by our Board or our Articles from time to time, and other matters that are required by applicable laws from time to time.

### Strategy Committee

The Strategy Committee of our Company consists of three Directors, namely Mr. Lu Haizhuan, Mr. Ze Kuaiyue and Ms. Zhuang Liyan. Mr. Lu Haizhuan serves as the chairperson of the committee. The primary duties of the Strategy Committee of our Company include (but are not limited to):

- review our Company's vision, mission and values for the future;
- consider our Company's strategic planning and implementation report;
- review our Company's market positioning and industry attractiveness analysis reports; and
- handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, our Articles or as authorised by the Board.

### CONFIRMATION FROM OUR DIRECTORS

#### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2024, and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

#### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

### COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of remuneration paid or payable to our Directors and Supervisors amounted to approximately RMB4.0 million, RMB4.8 million and RMB5.4 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2024 to be approximately RMB7.3 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

For each of the years ended December 31, 2021, 2022 and 2023, there were no Directors among the five highest paid individuals. The total emoluments for the remaining individuals among the five highest paid individuals amounted to approximately RMB26.4 million, RMB21.3 million and RMB46.2 million for the years ended December 31, 2021, 2022 and 2023.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

### CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the [REDACTED].

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Lu Haizhuan currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Lu Haizhuan is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

### BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age,

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including economics, engineering, international business, accounting and law. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a diverse age ranging from [38] years old to [59] years old and gender representation with three female Directors. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the [REDACTED], our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

### COMPLIANCE ADVISOR

We have appointed Red Solar Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the [REDACTED] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

## **RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP**

### **OUR SINGLE LARGEST SHAREHOLDERS GROUP**

Immediately before completion of the [REDACTED], Mr. Lu (directly and through Yueqing Aoji Growth IV<sup>(1)</sup>, an entity controlled by Mr. Lu) and Mr. Ze owned 19.43% and 11.22% of the issued share capital of our Company, respectively, and pursuant to the concert party agreement entered into by Mr. Lu and Mr. Ze on March 6, 2015 and renewed on March 1, 2019, together they are collectively entitled to exercise control of approximately 30.65% voting powers of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will hold approximately [REDACTED]% of our enlarged issued share capital. Accordingly, Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will be our Single Largest Shareholders Group upon [REDACTED].

### **INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS GROUP**

Our Directors consider that we are capable of carrying on our business independently from our Single Largest Shareholders Group and their respective close associates after [REDACTED], taking into consideration the factors below.

#### **Management Independence**

Our Board consists of nine Directors, namely three executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. Lu is an executive Director, chairperson of the Board and chief executive officer. Mr. Ze is also an executive Director.

Our Directors consider that we are able to carry on our business independently from our Single Largest Shareholders Group from a management perspective for the following reasons:

- (a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed “Directors, Supervisors and Senior Management” in this document;
- (b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

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*Note:*

- (1) Yueqing Aoji Growth IV is owned as to approximately i) 96.43% by Mr. Lu as its executive partner and ii) 3.01% by Mr. Hu Dianfeng (胡典峰), the brother-in law of Mr. Lu; and iii) 0.56% by Ms. Lu Ji (陸冀), the sister of Mr. Lu. As Mr. Hu Dianfeng and Ms. Lu Ji are not involved in the management of Yueqing Aoji Growth IV, and are only entitled to the passive economic interest in Yueqing Aoji Growth IV, Mr. Hu Dianfeng and Ms. Lu Ji should not be treated as Single Largest Shareholders Group of our Company.

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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- (c) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with our Single Largest Shareholders Group or each of their close associates; (b) our independent non-executive Directors account for one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience as independent directors of listed companies and will be able to provide professional advice to our Company. In conclusion, our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (d) We will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage potential conflicts of interest, if any, between our Group and our Single Largest Shareholders Group, which would support our independent management. For details, please see “— Corporate Governance Measures” in this section.

### Operational Independence

We do not rely on our Single Largest Shareholders Group and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Single Largest Shareholders Group and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholders Group and their respective close associates.

### Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Single Largest Shareholders Group and their respective close associates for financing after [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [REDACTED] from the [REDACTED]. In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Shareholders Group and their respective close associates. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Shareholders Group and their respective close associates.

## **RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP**

As of the Latest Practicable Date, our Single Largest Shareholders Group provided guarantee in favour of our Group for certain credit facilities we obtained from banks in the total amount of approximately RMB200 million, which is expected to be fully released before [REDACTED]. Save as disclosed above, we confirm that there is no other financial assistance provided by our Single Largest Shareholders Group to our Group and vice versa.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Single Largest Shareholders Group and their respective close associates after [REDACTED].

### **CORPORATE GOVERNANCE MEASURES**

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance to protect the interest of our Single Largest Shareholders Group. We would adopt the following corporate governance measures to manage potential conflict of interest between our Group and our Single Largest Shareholders Group:

- (a) Where a Shareholders' meeting is held for considering proposed transactions in which our Single Largest Shareholders Group have a material interest, our Single Largest Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.
- (b) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.
- (c) In the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Single Largest Shareholders Group, our Single Largest Shareholders Group shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements.
- (d) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules.
- (e) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules.
- (f) We have appointed Red Solar Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that the above corporate governance measures are sufficient to manage the potential conflicts of interest between our Group and our Single Largest Shareholders Group and/or other Directors to protect minority Shareholders' rights after [REDACTED].

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the Conversion of Domestic [REDACTED] Shares into H Shares and without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholder	Nature of Interest	Number and Class of Shares <sup>1</sup>	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the [REDACTED]
Mr. Lu <sup>2</sup>	Interest held jointly with other persons	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Mr. Ze <sup>2</sup>	Interest held jointly with other persons	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Shenzhen Capital Group	Beneficial owner	[REDACTED] H Shares	[REDACTED]	[REDACTED]
Mr. Jiang Jinzhi <sup>3</sup>	Interest in controlled corporations	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
HongShan Baosheng <sup>4</sup>	Beneficial owner	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Ms. Zhang Xiuhua (張秀華)	Beneficial owner	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

## SUBSTANTIAL SHAREHOLDERS

Shareholder	Nature of Interest	Number and Class of Shares <sup>1</sup>	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the [REDACTED]
Mr. Lu Songdu	Beneficial owner	[REDACTED] H Shares [REDACTED] Domestic [REDACTED] Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Ms. Bao Xueyang (包雪陽)	Beneficial owner	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
CITIC Securities <sup>(5)</sup>	Interest in controlled corporations	[REDACTED] H Shares	[REDACTED]	[REDACTED]

*Notes:*

1. All interests are long positions.
2. As of the Latest Practicable Date, Mr. Lu was the general partner of Yueqing Aoji Growth IV. Therefore, Mr. Lu is deemed to be interested in the Shares held by Yueqing Aoji Growth IV. Pursuant to the acting-in-concert agreement dated March 1, 2019, Mr. Lu and Mr. Ze are parties acting in concert. Therefore, Each of Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV is deemed to be interested in the interest of each other under the SFO.
3. As of the Latest Practicable Date, Each of Gongqingcheng Greenwoods Jing’an, Shanghai Greenwoods Jinghui and Shenzhen Greenwoods Jingying is ultimately controlled by Mr. Jiang Jinzhi. Therefore, Mr. Jiang Jinzhi is deemed to be interested in the Shares held by Gongqingcheng Greenwoods Jing’an, Shanghai Greenwoods Jinghui and Shenzhen Greenwoods Jingying.
4. As of the Latest Practicable Date, The general partner of HongShan Baosheng is HongShan Kunsheng. HongShan Mingsheng held approximately 99.69% of the partnership interest in HongShan Baosheng. The general partner of HongShan Kunsheng is Ningbo Meishan Bonded Port Area HongShan Huanjia Investment Management Co., Ltd. (寧波梅山保稅港區紅杉樞嘉投資管理有限公司), which is ultimately controlled by ZHOU Kui (周逵). Therefore, HongShan Kunsheng, HongShan Mingsheng, Ningbo Meishan Bonded Port Area HongShan Huanjia Investment Management Co., Ltd. and ZHOU Kui are deemed to be interested in the Shares held by HongShan Baosheng in the Company under the SFO.
5. As of the Latest Practicable Date, i) CITIC Securities Investment was wholly owned by CITIC Securities ; and ii) Starquest Fund was invested as to 40.9% by Shanghai Changpu as its limited partner, which in turn is invested as to 99.99% by CITIC Securities as its limited partner. Therefore, CITIC Securities is deemed to be interested in the Shares held by CITIC Securities Investment and Starquest Fund.



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## SUBSTANTIAL SHAREHOLDERS

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For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix V — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders."

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the [REDACTED] and the Conversion of Domestic [REDACTED] Shares into H Shares (and the offering of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

As at the Latest Practicable Date, our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

## SHARE CAPITAL

### OUR SHARE CAPITAL

#### Immediately before the [REDACTED]

[Immediately before completion of the [REDACTED]], the registered share capital of our Company was RMB385,311,216, comprising [REDACTED] Domestic [REDACTED] Shares with a nominal value of RMB1.00 each.

#### Upon the Completion of the [REDACTED]

Immediately after the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares (assuming that the [REDACTED] is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic [REDACTED] Shares . . . . .	[REDACTED]	[REDACTED]
H Shares converted from Domestic [REDACTED] Shares . . . . .	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED] . . . . .	[REDACTED]	[REDACTED]
<b>Total . . . . .</b>	<b>[REDACTED]</b>	<b>100.00</b>

The Conversion of Domestic [REDACTED] Shares into H Shares will involve an aggregate of [REDACTED] Domestic [REDACTED] Shares held by [REDACTED] out of 110 existing Shareholders, representing approximately [REDACTED]% of total issued Shares of the Company upon completion of the Conversion of Domestic [REDACTED] Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic [REDACTED] Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised).

Shares immediately after [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares					
Shareholders	Shares	H Shares to be converted from Domestic [REDACTED] Shares	Approximate Percentage (%)	Domestic [REDACTED] Shares	Approximate Percentage (%)
1. Lu Haizhuan (陸海傳) . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. Ze Kuaiyue (迓會越) . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3. Shenzhen Capital Group . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4. HongShan Baosheng . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5. Zhang Xiuhua (張秀華) . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6. Lu Songdu (陸頌督) . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## SHARE CAPITAL

Shares immediately after [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares					
Shareholders	Shares	H Shares to be converted from Domestic [REDACTED] Shares	Approximate Percentage	Domestic [REDACTED] Shares	Approximate Percentage
			(%)		(%)
7. Starquest Fund . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
8. Gongqingcheng Greenwoods Jing'an . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
9. Shenzhen Greenwoods Jingying . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
10. Bao Xueyang (包雪陽) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
11. Shanghai Greenwoods Jinghui . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
12. Zhang Xiao (張嘯) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
13. Tibet Shangcai Capital Management Co., Ltd. (西藏上財資本管理有限 公司) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
14. Zhuang Liyan (莊麗豔) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
15. Lin Zhijie (林志傑) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
16. CITIC Securities Investment . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
17. Zhuhai Wendi Design . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
18. Zhuhai Wendi Technology . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
19. NewTrails . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
20. Zhang Xiaolu (張曉璐) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
21. Yueqing Aoji Growth IV . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
22. Wang Zhijie (王智傑) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
23. Midea Fund . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
24. Zhuhai Yinshan . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
25. Qingdao Jiahong One Venture Capital Fund Enterprise (Limited Partnership) (青島嘉鴻 壹號創業投資基金企業 (有限合夥)) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
26. Li Guangyu (黎光宇) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
27. Hu Dianfeng (胡典峰) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
28. Li Yan (李豔) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
29. Sailvan Times . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
30. Wuhan Shunying . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
31. Yueqing Aoji Growth V . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
32. Lu Zuohua (陸佐華) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
33. Suzhou Cathay Growth . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
34. Weng Hai (翁海) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
35. Yueqing Ao X . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
36. Du Bo (杜波) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
37. Deng Bin (鄧斌) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
38. Tao Wenzhong (陶文忠) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
39. Xue Kexian (薛可仙) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## SHARE CAPITAL

Shares immediately after [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares					
Shareholders	Shares	H Shares to be converted from Domestic [REDACTED] Shares	Approximate Percentage	Domestic [REDACTED] Shares	Approximate Percentage
			(%)		(%)
40. Chen Wei (陳偉) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
41. Yueqing Aoji Growth IX . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
42. Liao Haixing (廖海星) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
43. Yueqing Aoji Growth VI . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
44. Long Shenghua (龍勝華) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
45. Hu Xiuhong (胡秀紅) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
46. Zhang Qiang (張強) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
47. Huang Zhaoping (黃招平) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
48. Chen Wensheng (陳文生) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
49. Yueqing Aoji Growth VIII . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
50. SilkRoad Industrial Investment . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
51. Yao Huiqiong (姚慧瓊) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
52. Chen Zheng (陳徵) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
53. Tang Ting (唐婷) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
54. Zhang Ruijun (張瑞軍) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
55. Shi Qing (石青) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
56. Li Linwei (李林偉) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
57. Qiu Dan (邱丹) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
58. Pan Xiangling (潘香玲) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
59. Dong Junzi (董俊姿) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
60. Lin Ajing (林阿靜) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
61. Zheng Yu (鄭宇) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
62. Lin Jingwei (林敬偉) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
63. Yu Fenglu (余鳳祿) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
64. Li Mingxing (黎明興) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
65. Li Fan (李帆) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
66. Pan Suying (潘素英) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
67. Li Xiuying (李秀英) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
68. Ji Siyi (季思誼) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
69. Cao Weijun (曹偉鈞) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
70. Wu Can (吳燦) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
71. Hongdao Zhixin . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
72. Wang Wenxuan (王文軒) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
73. Guan Jing (管靜) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
74. Liu Minglong (劉明隆) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
75. Zhang Li (張麗) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
76. Wuhan Shunhong . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
77. Yin Junjun (殷鈞鈞) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
78. Chen Gang (陳剛) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## SHARE CAPITAL

Shares immediately after [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares					
Shareholders	Shares	H Shares to be converted from Domestic [REDACTED] Shares	Approximate Percentage	Domestic [REDACTED] Shares	Approximate Percentage
			(%)		(%)
79. Zhong Niannian (鍾年年) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
80. Hainan Hongdao . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
81. Yang Yuanyuan (楊元元) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
82. Ma Min (馬敏) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
83. Cui Fangjie (崔芳潔) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
84. Zhou Shengxian (周聖仙) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
85. Shenzhen Yongxiaoyunshang Co., Ltd. (深圳甬曉雲商有限公司) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
86. Geng Ruixia (耿瑞霞) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
87. Ms. Mao Yan (毛燕) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
88. Chen Liang (陳亮) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
89. Kong Debo (孔德博) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
90. Li Shiyong (李仕勇) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
91. Qian Xiangfeng (錢祥豐) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
92. Wan Aigang (萬愛綱) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
93. Song Zongsong (宋宗松) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
94. Li Mingyang (李明洋) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
95. Peng Zhangling (彭章玲) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
96. Li Dan (李丹) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
97. Wang Tao (王濤) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
98. Qi Yuhua (戚玉華) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
99. Ji Minfeng (季閩峰) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
100. Mao Zhenwei (毛振衛) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
101. Chen Shanlin (陳山林) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
102. Zhuo Yanping (卓燕萍) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
103. Huang Haihua (黃海華) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
104. Li Wei (李威) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
105. Liu Xuming (劉旭鳴) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
106. Jiang Lifen (姜利芬) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
107. Lin Qiao (林樵) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
108. Shan Gonghua (單貢華) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
109. Lin Yuxian (林玉仙) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
110. Wang Mingjin (王明金) . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b> . . . . .		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## SHARE CAPITAL

Immediately after the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares (assuming that the [REDACTED] is fully exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital  (%)
Domestic [REDACTED] Shares . . . . .	[REDACTED]	[REDACTED]
H Shares converted from Domestic [REDACTED] Shares . . . . .	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED] . . . . .	[REDACTED]	[REDACTED]
<b>Total</b> . . . . .	<b>[REDACTED]</b>	<b>100.00</b>

### DOMESTIC [REDACTED] SHARES AND H SHARES

Upon the completion of the [REDACTED] and the Conversion of Domestic [REDACTED] Shares into H Shares, the Shares will consist of Domestic [REDACTED] Shares and H Shares which are same class of the Shares. Domestic [REDACTED] Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic [REDACTED] Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic [REDACTED] Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic [REDACTED] Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

### CONVERSION OF OUR DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic [REDACTED] Shares are to be converted, [REDACTED] and traded as H Shares on the Hong Kong Stock Exchange, such conversion, [REDACTED] and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

#### File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share [REDACTED] companies shall file with the CSRC for the conversion of Domestic [REDACTED] Shares into H shares for [REDACTED] and circulation on the Hong Kong Stock Exchange. An [REDACTED] domestic joint stock company may file for “full circulation” when applying for an overseas [REDACTED].

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## SHARE CAPITAL

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We [have filed] with the CSRC for the conversion of [REDACTED] Domestic [REDACTED] Shares into H Shares on a one-for-one basis (“**Conversion of Domestic [REDACTED] Shares into H Shares**”) upon the completion of the [REDACTED] (“**Full Circulation Filing of the Company**”) and CSRC issued the filing notice in respect of the [REDACTED] dated [●].

### **[REDACTED] Approval by the Hong Kong Stock Exchange**

We have applied to the [REDACTED] of the Hong Kong Stock Exchange for the granting of [REDACTED] of, and permission to [REDACTED], our H Shares to be issued pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]), and the H Shares to be converted from [REDACTED] Domestic [REDACTED] Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic [REDACTED] Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our [REDACTED] regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [REDACTED] for deposit, clearance and settlement in the [REDACTED].

### **RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]**

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are [REDACTED] and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the [REDACTED] will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED]. See “History, Development and Corporate Structure — Rights of the Pre-[REDACTED] Investors”.

### **RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]**

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix IV — Summary of the Articles of Association” in this document.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2021, 2022 and 2023, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”*

*For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are a world-leading e-commerce brand operator specializing in high-quality furniture and home furnishings. We offer consumers an enjoyable lifestyle experience across a broad range of “home and life” scenarios leveraging robust supply chain management and efficient logistics solutions.

In 2021, 2022 and 2023, our revenue was RMB9,071.2 million, RMB7,100.2 million and RMB8,683.0 million, respectively. Our (loss)/profit for the year was a loss of RMB589.9 million in 2021, and improved to a profit of RMB223.2 million in 2022 and further significantly increased to RMB520.1 million in 2023.

### BASIS OF PREPARATION

Our Company was incorporated in the PRC as a company with limited liabilities.

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, we have consistently adopted the accounting policies which conform with International Accounting Standards (“IASs”), IFRSs, amendments to IFRSs and the related interpretations issued by the IASB which are effective for the accounting period beginning on January 1, 2024 throughout the Track Record Period.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out in Appendix I to this document.



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## FINANCIAL INFORMATION

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### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### General Factors

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control, including the following:

- overall economic conditions and consumption levels in the overseas markets where we sell our products;
- growth and competition environment of the global B2C e-commerce market, particularly that for furniture and home furnishings, as well as the B2C export e-commerce logistics solutions market;
- developments in Internet, information technology, e-commerce and logistics solutions; and
- laws and regulations, as well as governmental policies and initiatives on export e-commerce and logistics solutions, international relations and geopolitical conditions and relevant e-commerce platform policies.

#### Company Specific Factors

##### *Ability to Offer Competitive and Diverse Brand and Product Portfolio*

Our ability to offer a competitive and diverse brand and product portfolio is crucial for our business performance. Our brand and product portfolio focuses on a wide range of high-quality furniture and home furnishings and also covers other categories, including electric tools, home appliances, consumer electronics and sports and wellness products. We house a number of popular brands in overseas markets. Benefiting from diverse product offerings, tailored marketing channels and strategies, we rapidly gained market share. Empowered by our capabilities in product design and development as well as supply chain management, we identify market demand and offer competitive furniture and home furnishings of different categories, sizes and other specifications at competitive prices to meet distinctive consumer preferences. In 2023, 11 of our brands each had over RMB100 million in GMV and we ranked first in six categories in terms of GMV on the Amazon U.S. site, including bed frames, food cabinets, vanity tables and vanity benches, bookcases, buffet tables and sideboards as well as refrigerators according to Frost & Sullivan. We had a market share of over 10% in ten categories, namely bed frames, beds, refrigerators, dressers and chests of drawers, food cabinets, bookcases, vanity tables and vanity benches, buffet tables and sideboards, as well as power screwdrivers and pressure washer hose reels on the Amazon U.S. site in terms of GMV in 2023, according to the same source.

During the Track Record Period, our revenue from sales of goods decreased by 26.3% from RMB8,581.5 million in 2021 to RMB6,325.6 million in 2022, then increased by 11.1% to RMB7,030.4 million in 2023. Despite the fluctuation in our revenue from sales of goods due to the Amazon Incident, we were successful in optimizing our product portfolio with a focus on furniture and home furnishings. Our revenue from sales of furniture and home furnishings increased by 19.1% from RMB3,516.3 million in 2021 to RMB4,187.1 million in 2022, and further increased by 27.5% to RMB5,336.6 million in 2023, accounting for 38.8%, 59.0% and 61.5% of our total revenue in the respective years. Our gross profit increased by 30.8% from

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## FINANCIAL INFORMATION

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RMB1,895.1 million in 2021 to RMB2,479.0 million in 2022, and further increased by 20.8% to RMB2,993.7 million in 2023. Our net (loss)/profit for the year improved from a loss of RMB589.9 million in 2021 to a profit of RMB223.2 million in 2022, and further to a profit of RMB520.1 million in 2023.

According to Frost & Sullivan, we ranked first in the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers in terms of GMV in 2023. In terms of GMV, the global B2C e-commerce market size for furniture and home furnishings is expected to increase from USD325.8 billion in 2023 to USD588.5 billion in 2028, with a CAGR of 12.6%, and the GMV generated from China-based sellers in B2C overseas e-commerce market for furniture and home furnishings is expected to increase from RMB773.8 billion in 2023 to RMB1,604.8 billion in 2028, with a CAGR of 15.7%, according to the same source. In light of the increasing consumer demand for furniture and home furnishings and an expanding GMV of the B2C overseas e-commerce market for furniture and home furnishings by China-based sellers, we plan to expand our brand and product portfolio to solidify our leading position in the global B2C e-commerce market for furniture and home furnishings. To continuously promote and operate furniture and home furnishings brands and deliver furniture and home furnishings that meet market demand would allow us to capture greater market opportunities and achieve stronger results. We intend to ramp up product development efforts to research consumer preferences to keep abreast of local market trends, which will allow us to develop new products, especially medium-to-large and oversized furniture and address market demand.

### *Collaboration with Third-party E-commerce Platforms and Other Sales Channels*

Our collaboration with third-party e-commerce platforms and other sales channels are crucial to our results of operations. Third-party e-commerce platforms, such as Amazon, Walmart and Wayfair, with their high user traffic, provide us with an easily accessible, extensive customer base. Our revenue from sales through third-party e-commerce platforms was RMB8,233.4 million, RMB5,878.0 million and RMB6,656.9 million in 2021, 2022 and 2023, respectively, accounting for 90.8%, 82.8% and 76.7% of our total revenue, respectively. In 2021, our business was negatively impacted by Amazon’s investigation into the past use of Unofficially Promoted Ratings or Reviews by certain business units of our Group. See “Business — Marketing and Promotion — The Amazon Incident.” After the Amazon Incident, we consolidated and optimized our existing brand portfolio in order to better manage and implement enhanced control over the brand and stores on third-party e-commerce platforms. This strategy is expected to strengthen our strict compliance with relevant laws, regulations and platform policies, effective allocation of sales channel resources for key brands, efficient marketing and branding activities, as well as strengthen our brand equity to increase consumer stickiness. These improvements will enhance our sustainable sales on third-party e-commerce platforms. We expect our sales through global third-party e-commerce platforms to continue contributing to a substantial portion of our revenue. We plan to scale up our business across various overseas markets and e-commerce platforms and strengthen our collaboration with them.

In addition to leveraging the extensive customer base and high user traffic on Amazon and other third-party e-commerce platforms, we are expanding our sales network to other offline channels and using tailored marketing strategies to effectively reach our target customers. Our ability to establish and deepen the cooperation with offline sales channels to expand our offline business in developed markets, such as Europe and the U.S., allows us to further enhance our market presence. We have established collaboration with offline channels to sell our products and increase brand recognition as well as product visibility.

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## FINANCIAL INFORMATION

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### *Logistics Solutions and Warehousing Capabilities*

During the Track Record Period, our revenue from the provision of logistics solutions increased by 58.2% from RMB489.7 million in 2021 to RMB774.7 million in 2022, and further by 113.3% to RMB1,652.6 million in 2023. The growth of revenue was primarily because we achieved an expanded customer base and fulfilled more orders as we benefited from our enhanced capabilities in last-mile fulfillment services and warehousing facilities. In light of the stable growth of the global B2C e-commerce market and the fact that sellers in this market are highly dependent on the capability and infrastructure of logistics solutions, we began to provide high-quality logistics solutions to customers, primarily sellers on e-commerce platforms, since our acquisition of Shenzhen Westernpost. See “History, Development and Corporate Structure — Business Development Milestones.” As of December 31, 2023, we operated 27 overseas warehousing facilities, with an aggregate GFA of over five million sq.ft. in main port cities in the U.S. (including Los Angeles, Houston, New Jersey and Chicago) and Europe (mainly Germany). Shenzhen Westernpost ranked first among all B2C export e-commerce logistics solutions providers in China focusing on medium-to-large goods in terms of the revenue generated from B2C export e-commerce logistics solutions adopting the pre-sale stocking model in 2023, according to Frost & Sullivan. We provided logistics solutions to an aggregate of over 700 e-commerce companies, with over three million, four million and six million fulfilled orders in 2021, 2022 and 2023, respectively.

In addition, the expansion of our logistics solutions strengthened our integrated supply chain management systems and comprehensive warehousing and logistics. Empowered by our logistics solutions, we offer flexible delivery options to address diverse shipping needs, utilizing a combination of (i) fulfillment services provided by third-party e-commerce platforms such as FBA and FBM; (ii) logistics services offered by various third-party logistics solutions providers; and (iii) our in-house logistics capabilities through Shenzhen Westernpost. This approach enables us to choose the most efficient shipping methods as our sales scale up, allowing rapid adaptation to the changing market trends and customer preferences while effectively reducing logistics costs and improving logistics efficiency. During the Track Record Period, the logistics costs under our cost of sales for sales of goods, which mainly include costs of last-mile fulfillment services and first-mile international freight services, decreased from RMB2,582.8 million in 2021 to RMB2,033.5 million in 2022, and further to RMB1,861.3 million in 2023, accounting for 30.1%, 32.1% and 26.5% of the revenue from sales of goods of the same years, respectively. We plan to build more smart global warehouse centers to strengthen our warehousing and logistics capabilities. Such capabilities would enable us to offer competitive products at reduced logistics costs and with enhanced efficiency, quality and safety, thereby improving our profitability.

### *Ability to Manage Costs, Improve Operational Efficiency and Manage Our Working Capital*

Our abilities to manage costs and operating expenses have a profound impact on our results of operations. Our cost of sales includes the cost of sales for sales of goods and the cost of sales for logistics solutions. Our cost of sales for sales of goods primarily consists of (i) procurement costs paid for OEM manufacturing services; (ii) logistics costs, mainly including costs of last-mile fulfillment services for delivering from overseas warehouses to individual consumers and costs of first-mile international freight services for transport of goods from vendors to ports of entry of imports; and (iii) write-down of inventories, which was mainly a result of the Amazon Incident. Our cost of sales for logistics solutions mainly represents the storage and warehousing costs associated with Shenzhen Westernpost. Our cost of sales for sales of goods was RMB6,797.6 million, RMB3,984.7 million and RMB4,277.4 million in 2021, 2022 and 2023, respectively, accounting for 74.9%, 56.1% and 49.3% of our total revenue in respective years. Our cost of sales for sales of goods decreased from 2021 to 2022 and subsequently slightly increased from 2022 to 2023, primarily due to the decreased procurement costs because we (i) implemented efficient and flexible supply chain management systems; and (ii) we focused more on offering furniture and home furnishings, which generally have higher gross profit margin. Our cost of sales for sales of goods decreased from 2021 to 2022 and subsequently slightly increased from 2022 to 2023 also in part because of the continuously decreased logistics costs for sales of goods. Such decrease is a result of a decreased price of first-mile international freight services and the empowerment of our own

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logistics solutions and warehousing capabilities. See “— Major Factors Affecting Our Results of Operations — Logistics Solutions and Warehousing Capabilities.” The changes in our cost of sales for sales of goods were also in part because of the changes in write-down of inventories as a result of the Amazon Incident. Write-down of inventories in relation to the Amazon Incident decreased from 2021 to 2022, and further 2023, as we made provision for the affected inventories in 2021 after the Amazon Incident and disposed of the affected inventories in 2022 and 2023. See “Business — Marketing and Promotion — The Amazon Incident.” Continuous digitalization of our supply chain management systems and optimization of our product portfolio would further stabilize and improve our gross profit margin.

As our business continues to grow, we plan to manage our selling expenses, administrative expenses and research and development expenses by capitalizing our continuous investment in digitalization and automation. Going forward, we expect to achieve revenue growth at a rate higher than that of our cost of sales and expenses continuously improving our operational efficiency.

Furthermore, our ability to effectively control our working capital is crucial to our financial condition. As of December 31, 2021, 2022 and 2023, our finished goods net of provision amounted to RMB1,376.5 million, RMB1,022.7 million and RMB1,039.7 million, respectively. We closely monitor the levels of finished goods, which in turn helps us improve our inventory turnover and working capital efficiency.

### *Foreign Exchange Rate Fluctuations*

Most of our sales of products are denominated and settled in U.S. dollars and Euros, with the remaining denominated and settled in currencies of the geographical markets to which we sell our products. As most of our suppliers are located in the PRC, we mainly pay them in Renminbi. As a result, changes in the exchange rates between foreign currencies, in particular the U.S. dollar and Renminbi as well as Euro and Renminbi, could affect our results of operations and competitiveness in the global B2C e-commerce market. During the Track Record Period, we had net foreign exchange gains of RMB23.2 million in 2021, losses of RMB21.7 million in 2022 and gains of RMB14.3 million in 2023 due to the foreign exchange rate fluctuations in connection with our outstanding trade and other receivables denominated in foreign currencies. We continuously monitor and respond to the changes in foreign exchange rates. We may choose to mitigate the impact of a depreciation of the U.S. dollar and Euro by increasing our products’ selling prices after taking the competitive landscape for our products into consideration.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 3 and 4 of the Accountants’ Report set out in Appendix I to this document.

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### Revenue from Contracts with Customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates and enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e., only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

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### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict our performance in transferring control of goods or services.

### *Sale with a right of return/exchange*

For a sale of products with a right of return/exchange for dissimilar products, we recognize all of the following:

(a) revenue for the transferred products in the amount of consideration to which we expect to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale.

### *Net realizable value of inventories*

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

We assess the net realizable value of inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventory based on our marketing and retail pricing strategy, sales forecast of each product collection and the price markdown necessary to sell off-season products at certain stage of the product lifecycle based on the general historical pattern on a season-by-season basis. We perform regular check on the physical conditions of inventories and assesses possible write-down for any damaged inventories at end of each reporting period.

These key estimates are based on the current market condition and the historical experience of selling products of similar nature, which are reassessed at end of each reporting period as they could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle.

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## FINANCIAL INFORMATION

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### Foreign Currencies

In preparing the financial statements of each of our individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of our operations are translated into the presentation currency of the Group (i.e., RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of our entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to our owners are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in us losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in us losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2021 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
Revenue . . . . .	9,071,193	100	7,100,230	100	8,682,977	100.0
Cost of sales . . . . .	(7,176,094)	(79.1)	(4,621,181)	(65.1)	(5,689,287)	(65.5)
<b>Gross profit . . . . .</b>	<b>1,895,099</b>	<b>20.9</b>	<b>2,479,049</b>	<b>34.9</b>	<b>2,993,690</b>	<b>34.5</b>
Other income . . . . .	20,399	0.2	19,868	0.3	42,320	0.5
Other gains and losses . .	360,472	4.0	(21,697)	(0.3)	12,432	0.1
Impairment gains/(losses) under expected credit loss ("ECL") model, net of reversal . . . . .	(45,832)	(0.5)	(2,472)	(0.0)	(48,854)	(0.6)
Selling expenses . . . . .	(2,517,379)	(27.8)	(1,757,101)	(24.7)	(1,830,619)	(21.1)
Administrative expenses .	(204,920)	(2.3)	(249,294)	(3.5)	(287,645)	(3.3)
Research and development expenses .	(176,834)	(1.9)	(123,689)	(1.7)	(119,153)	(1.4)
Other expenses . . . . .	(23,408)	(0.3)	(32,982)	(0.5)	(26,004)	(0.3)
[REDACTED] . . . . .	-	0.0	-	0.0	[REDACTED]	[REDACTED]
Share of results of investments accounted for using the equity method . . . . .	(11,125)	(0.1)	(7,327)	(0.1)	4,875	0.1
Finance costs . . . . .	(30,931)	(0.3)	(72,353)	(1.0)	(90,722)	(1.0)
<b>(Loss)/profit before tax . . . . .</b>	<b>(734,459)</b>	<b>(8.1)</b>	<b>232,002</b>	<b>3.4</b>	<b>639,908</b>	<b>7.4</b>
Income tax credit/(expense) . . . . .	144,580	1.6	(8,833)	(0.1)	(119,807)	(1.4)
<b>(Loss)/profit for the year . . . . .</b>	<b>(589,879)</b>	<b>(6.5)</b>	<b>223,169</b>	<b>3.3</b>	<b>520,101</b>	<b>6.0</b>



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### Non-IFRS Financial Measure

To supplement our consolidated financial statements presented in accordance with IFRS, we use adjusted gross profit (non-IFRS measure) and adjusted gross profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items. We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted gross profit (non-IFRS measure) and adjusted gross profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define adjusted gross profit (non-IFRS measure) as gross profit adjusted by adding back write-down of inventories primarily as a result of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.” We define adjusted gross profit margin (non-IFRS measure) as adjusted gross profit (non-IFRS measure) divided by revenue. The following table sets forth a reconciliation of our non-IFRS financial measures for the years indicated to the nearest measures prepared in accordance with IFRS which are gross profit and gross profit margin:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Gross profit</b> . . . . .	<b>1,895,099</b>	<b>2,479,049</b>	<b>2,993,690</b>
<b>Gross profit margin (%)</b> . . . . .	<b>20.9</b>	<b>34.9</b>	<b>34.5</b>
Add: Write-down of inventories <sup>(1)</sup> . . . . .	984,385	11,744	17,855
<b>Adjusted gross profit (non-IFRS measure)</b> . . . . .	<b>2,879,484</b>	<b>2,490,793</b>	<b>3,011,545</b>
<b>Adjusted gross profit margin (non-IFRS measure) (%)</b> . . . . .	<b>31.7</b>	<b>35.1</b>	<b>34.7</b>

*Note:*

(1) Write-down of inventories was mainly a result of the Amazon Incident for which we had made provision for inventories and for which we do not expect to incur in the future.

## FINANCIAL INFORMATION

### Revenue

#### *By Types of Goods or Services*

During the Track Record Period, we generated revenue primarily from sales of goods and provision of logistics solutions. The following table sets forth a breakdown of our revenue by type of goods or services in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
<b>Type of goods or services</b>						
<b>Sales of goods . . . . .</b>	<b>8,581,493</b>	<b>94.6</b>	<b>6,325,558</b>	<b>89.1</b>	<b>7,030,375</b>	<b>81.0</b>
Furniture and home furnishings . . . . .	3,516,335	38.8	4,187,110	59.0	5,336,581	61.5
Electric tools . . . . .	1,462,895	16.1	628,913	8.9	347,182	4.0
Home appliances . . . . .	886,580	9.8	480,709	6.8	436,748	5.0
Consumer electronics . . . . .	1,067,281	11.8	356,100	5.0	292,265	3.4
Sports and wellness . . . . .	491,886	5.4	187,712	2.6	107,114	1.2
Other categories <sup>(1)</sup> . . . . .	1,156,516	12.7	485,014	6.8	510,485	5.9
<b>Logistics solutions . . . . .</b>	<b>489,700</b>	<b>5.4</b>	<b>774,672</b>	<b>10.9</b>	<b>1,652,602</b>	<b>19.0</b>
<b>Total . . . . .</b>	<b>9,071,193</b>	<b>100.0</b>	<b>7,100,230</b>	<b>100.0</b>	<b>8,682,977</b>	<b>100.0</b>

*Note:* Other categories primarily include car accessories, photography lighting equipment, outdoor equipment, decorations and musical instrument.

#### *Sales of goods*

We offer products under a broad range of “home and life” scenarios. We primarily generate revenue from sales of products in (i) furniture and home furnishings; (ii) electric tools; (iii) home appliances; (iv) consumer electronics; (v) sports and wellness; and (vi) other categories. We mainly sell products to customers via third-party e-commerce platforms and other channels. Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on receipt of the product by customers.

#### *Logistics solutions*

We generate revenue from the provision of logistics solutions to customers such as e-commerce companies and third-party e-commerce platforms. We recognize revenue based on the progress of the service performed within the year, which is determined based on the proportion of costs incurred to date to the estimated total costs or days spent to the estimated total days.

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### *By Sales Channel*

During the Track Record Period, our revenue from sales of goods was derived primarily from third-party e-commerce platforms, including Amazon, Walmart, Wayfair and others, as well as offline sales channels. The following table sets forth a breakdown of our revenue from sales of goods by sales channel in absolute amounts and as a percentage of total revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
<b>Sales of goods through</b>						
<b>Third-party e-commerce platforms</b>	<b>8,233,426</b>	<b>90.8</b>	<b>5,878,049</b>	<b>82.8</b>	<b>6,656,918</b>	<b>76.7</b>
Amazon	7,611,485	83.9	4,526,473	63.8	4,670,579	53.8
Walmart	276,409	3.0	676,279	9.5	851,260	9.8
Wayfair	157,487	1.7	458,538	6.5	871,705	10.0
Others <sup>(1)</sup>	188,045	2.2	216,759	3.0	263,374	3.1
<b>Other channels<sup>(2)</sup></b>	<b>348,067</b>	<b>3.8</b>	<b>447,509</b>	<b>6.3</b>	<b>373,457</b>	<b>4.3</b>
<b>Logistics solutions</b>	<b>489,700</b>	<b>5.4</b>	<b>774,672</b>	<b>10.9</b>	<b>1,652,602</b>	<b>19.0</b>
<b>Total</b>	<b><u>9,071,193</u></b>	<b><u>100.0</u></b>	<b><u>7,100,230</u></b>	<b><u>100.0</u></b>	<b><u>8,682,977</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Others include other third-party e-commerce platforms such as eBay.
- (2) Other channels primarily consist of offline channels and self-operated websites.

Our revenue from third-party e-commerce platforms was RMB8,233.4 million, RMB5,878.0 million and RMB6,656.9 million in 2021, 2022 and 2023, respectively, accounting for 90.8%, 82.8% and 76.7%, respectively, of our total revenue in the same years. We primarily provide products to consumers via third-party e-commerce platforms such as Amazon, Walmart and Wayfair in overseas markets, including the U.S. and Europe. These markets are well-known for strong customer purchasing power and high e-commerce penetration. The revenue from sales through Amazon was RMB7,611.5 million, RMB4,526.5 million and RMB4,670.6 million in 2021, 2022 and 2023, respectively, representing 83.9%, 63.8% and 53.8%, respectively, of our total revenue in the same years. The fluctuation in revenue was primarily a result of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.” The revenue from sales through Walmart was RMB276.4 million, RMB676.3 million and RMB851.3 million in 2021, 2022 and 2023, respectively, representing 3.0%, 9.5% and 9.8%, respectively, of our total revenue in the same years. Our revenue from sales through Walmart as a percentage of our total revenue increased from 2021 to 2022 and subsequently remained relatively stable. The revenue from sales through Wayfair was RMB157.5 million, RMB458.5 million and RMB871.7 million, in 2021, 2022 and 2023, respectively, representing 1.7%, 6.5% and 10.0%, respectively, of our total revenue in the same years. This increase was in line with our strategic expansion of furniture and home furnishings.

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The revenue from other channels, primarily comprising offline channels, was RMB348.1 million, RMB447.5 million and RMB373.5 million in 2021, 2022 and 2023, respectively. The revenue from sales through offline sales channels primarily includes the revenue from sales through offline distributors and the revenue from inventory clearances where we disposed of inventories affected by the Amazon Incident. For details of inventory clearances, see “Business — Marketing and Promotion — The Amazon Incident.”

### *By Geographical Market*

The following tables set forth a breakdown of our total revenue, our revenue from sales of goods and our revenue from logistics solutions, respectively, by geographical market in absolute amounts and as a percentage of total revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
U.S and other North American countries . . . . .	5,551,151	61.2	5,139,915	72.4	6,201,359	71.4
Europe . . . . .	2,776,494	30.6	1,064,157	15.0	773,844	8.9
PRC . . . . .	448,962	4.9	727,195	10.2	1,530,219	17.7
Others . . . . .	294,586	3.3	168,963	2.4	177,555	2.0
<b>Total . . . . .</b>	<b><u>9,071,193</u></b>	<b><u>100.0</u></b>	<b><u>7,100,230</u></b>	<b><u>100.0</u></b>	<b><u>8,682,977</u></b>	<b><u>100.0</u></b>

Our revenue generated in the U.S. and other North American countries decreased by 7.4% from RMB5,551.2 million in 2021 to RMB5,139.9 million in 2022, primarily as a result of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.” Our revenue generated in the U.S. and other North American countries subsequently increased by 20.7% from RMB5,139.9 million in 2022 to RMB6,201.4 million in 2023 in line with the continued expansion of our brand and product portfolio and our increased provision of logistics solutions.

Our revenue generated in Europe decreased by 61.7% from RMB2,776.5 million in 2021 to RMB1,064.2 million in 2022, and further decreased by 27.3% to RMB773.8 million in 2023. This is primarily because, as we expanded our furniture and home furnishings offerings, we allocated more resources to the U.S. market which has both a growing demand for furniture and home furnishings and high spending power, according to Frost & Sullivan, and reduced the resources allocated to the European market.

Our revenue generated in the PRC increased by 62.0% from RMB449.0 million in 2021 to RMB727.2 million in 2022, and further significantly increased to RMB1,530.2 million in 2023, primarily as a result of our increased logistics solutions through Shenzhen Westernpost for customers located in the PRC.

Our revenue generated in other geographic markets, primarily including Southeast Asia and Japan, decreased by 42.6% from RMB294.6 million in 2021 to RMB169.0 million in 2022. This is primarily because, as we expanded our furniture and home furnishings offerings, we allocated more resources to the U.S. market which has both a growing demand for furniture and home furnishings and high spending power, according to Frost & Sullivan, and reduced the resources allocated to other markets. Our revenue generated in other geographic markets subsequently remained relatively stable at RMB177.6 million in 2023.

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### Cost of Sales

Our cost of sales consists of the cost of sales for sales of goods and the cost of sales for logistics solutions. Our cost of sales for sales of goods primarily consists of (i) procurement costs paid for OEM manufacturing services; (ii) logistics costs, representing the cost to acquire logistics services from third parties to sell our products; and (iii) write-down of inventories, which was mainly a result of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.” The logistics costs mainly include costs of last-mile fulfillment services for delivering from overseas warehouses to individual consumers and costs of first-mile international freight services for transport of goods from vendors to ports of entry of imports. Our cost of sales for logistics solutions represents the cost for providing logistics solutions to customers through Shenzhen Westernpost, including the associated storage and warehousing costs. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
<b>Cost of sales for sales of goods</b> . . . . .	<b>6,797,595</b>	<b>74.9</b>	<b>3,984,676</b>	<b>56.1</b>	<b>4,277,420</b>	<b>49.2</b>
Procurement costs . . . . .	3,230,387	35.6	1,939,386	27.3	2,398,286	27.6
Logistics costs . . . . .	2,582,823	28.5	2,033,546	28.6	1,861,279	21.4
Write-down of inventories <sup>(1)</sup> . . . . .	984,385	10.8	11,744	0.2	17,855	0.2
<b>Cost of sales for logistics solutions</b> . . . . .	<b>378,499</b>	<b>4.2</b>	<b>636,505</b>	<b>9.0</b>	<b>1,411,867</b>	<b>16.3</b>
— . . . . .						
<b>Total cost of sales</b> . . . . .	<b><u>7,176,094</u></b>	<b><u>79.1</u></b>	<b><u>4,621,181</u></b>	<b><u>65.1</u></b>	<b><u>5,689,287</u></b>	<b><u>65.5</u></b>

*Note:*

- (1) Write-down of inventories was mainly a result of the Amazon Incident for which we had made provision for inventories and which we do not expect to incur in the future.

## FINANCIAL INFORMATION

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit by type of goods or services in absolute amounts and as a percentage of revenue, or gross profit margin, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>Gross profit</i> <i>RMB'000</i>	<i>Gross profit margins</i> <i>(%)</i>	<i>Gross profit</i> <i>RMB'000</i>	<i>Gross profit margins</i> <i>(%)</i>	<i>Gross profit</i> <i>RMB'000</i>	<i>Gross profit margins</i> <i>(%)</i>
<b>Types of goods or services</b>						
Sales of goods . . . . .	1,783,898	20.8	2,340,881	37.0	2,752,954	39.2
Logistics solutions . . . . .	111,201	22.7	138,168	17.8	240,736	14.6
<b>Total . . . . .</b>	<b><u>1,895,099</u></b>	<b><u>20.9</u></b>	<b><u>2,479,049</u></b>	<b><u>34.9</u></b>	<b><u>2,993,690</u></b>	<b><u>34.5</u></b>

During the Track Record Period, we had a gross profit of RMB1,895.1 million, RMB2,479.0 million and RMB2,993.7 million in 2021, 2022 and 2023, respectively. Our gross profit margin increased from 20.9% in 2021 to 34.9% in 2022, and subsequently remained relatively stable at 34.5% in 2023.

### Other Income

Our other income consists of (i) bank interest income; (ii) government grants, mainly representing government subsidies with no unfulfilled conditions that we received from local governments in the PRC to support our research, development, design activities and e-commerce operation development; and (iii) interest income on finance lease receivables. Our other income was RMB20.4 million, RMB19.9 million and RMB42.3 million in 2021, 2022 and 2023, respectively, accounting for 0.2%, 0.3% and 0.5% of our total revenue in respective years.

## FINANCIAL INFORMATION

### Other Gains and Losses

Our other gains and losses primarily consist of (i) a gain on partial disposal of investments accounted for using the equity method; and (ii) foreign exchange gains (losses), net. Our other gains and losses were a gain of RMB360.5 million, a loss of RMB21.7 million and a gain of RMB12.4 million in 2021, 2022 and 2023, respectively, accounting for 4.0%, -0.3% and 0.1% of our total revenue in respective years.

### Impairment Losses under Expected Credit Loss Model (“ECL”), Net of Reversal

Our impairment losses under expected credit loss model (“ECL”), net of reversal, consist of impairment losses recognized (reversed) on trade and other receivables, amounting to RMB45.8 million, RMB2.5 million and RMB48.9 million in 2021, 2022 and 2023, respectively, and accounting for -0.5%, -0.0% and -0.6% of our total revenue in respective years.

### Selling Expenses

Our selling expenses primarily include (i) platform service fees, representing the fees paid to third-party e-commerce platforms as set out in the applicable service fee schedules; (ii) marketing and advertising expenses, mainly representing expenses paid to third parties for marketing and advertising activities; (iii) overseas warehouse leasing expenses associated to our sales of goods and selling activities on third-party e-commerce platform; and (iv) employee expenses incurred for sales and marketing staff.

The following table sets forth a breakdown of our selling expenses by nature in absolute amounts and as a percentage of total selling expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Platform service fees . . .	1,225,913	48.7	812,845	46.3	855,096	46.7
Marketing and advertising expenses . .	715,756	28.4	488,089	27.8	568,149	31.0
Overseas warehouse leasing expenses . . . .	343,015	13.6	277,649	15.8	202,425	11.1
Employee expenses . . . .	217,352	8.6	167,842	9.6	192,278	10.5
Others <sup>(1)</sup> . . . . .	15,343	0.7	10,676	0.5	12,671	0.7
<b>Total . . . . .</b>	<b>2,517,379</b>	<b>100.0</b>	<b>1,757,101</b>	<b>100.0</b>	<b>1,830,619</b>	<b>100.0</b>

*Note:*

(1) Others primarily include consumable materials costs and packaging materials costs

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily include (i) employee expenses incurred for administrative staff; (ii) depreciation and amortization; (iii) leasing expenses associated with administrative activities; (iv) professional fees, representing service fees paid to third-party professionals during our daily operations; (v) office expenses; and (vi) traveling expenses associated with administrative activities.

The following table sets forth a breakdown of our administrative expenses by nature in absolute amounts and as a percentage of total administrative expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee expenses . . . .	103,674	50.6	122,899	49.3	127,839	44.4
Depreciation and amortization . . . . .	8,578	4.2	29,301	11.8	55,371	19.2
Leasing expenses . . . . .	24,850	12.1	24,421	9.8	23,617	8.2
Professional fees . . . . .	22,687	11.1	23,194	9.3	25,326	8.8
Office expenses . . . . .	10,529	5.1	14,296	5.7	9,854	3.4
Traveling expenses . . . .	16,506	8.1	13,536	5.4	18,818	6.6
Others <sup>(1)</sup> . . . . .	18,096	8.8	21,647	8.7	26,820	9.4
<b>Total . . . . .</b>	<b><u>204,920</u></b>	<b><u>100.0</u></b>	<b><u>249,294</u></b>	<b><u>100.0</u></b>	<b><u>287,645</u></b>	<b><u>100.0</u></b>

*Note:*

(1) Others primarily include technical service fees, furnishing expenses and insurance fees.

### Research and Development Expenses

Our research and development expenses primarily consists of (i) employee expenses incurred for research and development staff; (ii) molding and tooling costs, mainly representing the costs of the molds used in the manufacturing of our products; and (iii) depreciation.



## FINANCIAL INFORMATION

The following table sets forth a breakdown of our research and development expenses in absolute amounts and as a percentage of total research and development expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee expenses . . . .	156,422	88.5	115,096	93.1	109,878	92.2
Molding and tooling costs . . . . .	10,810	6.1	2,347	1.9	3,743	3.2
Depreciation . . . . .	1,176	0.7	1,167	0.9	963	0.8
Others <sup>(1)</sup> . . . . .	8,426	4.7	5,079	4.1	4,569	3.8
<b>Total . . . . .</b>	<b>176,834</b>	<b>100.0</b>	<b>123,689</b>	<b>100.0</b>	<b>119,153</b>	<b>100.0</b>

*Note:*

- (1) Others primarily include certification fees, mainly representing the fees paid to certify that our products are safe to be sold to relevant regional markets as required by laws and regulations in respective regions, patent and trademark registration fees and R&D-related leasing expenses.

### Other Expenses

Our other expenses primarily represent (i) compensation, mainly representing cancellation fees paid to suppliers for canceled procurement orders; and (ii) bank fees and others, primarily representing processing fees associated with bank transfers. Our other expenses were RMB23.4 million, RMB33.0 million and RMB26.0 million in 2021, 2022 and 2023, respectively, accounting for -0.3%, -0.5% and -0.3% of our total revenue in respective years.

### Share of Results of Investments Accounted for Using the Equity Method

Our share of results of investments accounted for using the equity method was losses of RMB11.1 million and RMB7.3 million in 2021 and 2022, respectively. Our share of results of investments accounted for using the equity method was a gain of RMB4.9 million in 2023. Our share of results of investments accounted for using the equity method represents our share of results from our associates which primarily operate in the e-commerce and logistics industries. We typically invest in our associates to facilitate our expansion strategies and actively evaluate and monitor such investments to make adjustments required. We hold between 20% and 50% of the voting rights of these associates and are considered to have significant influence but not control over them.

## FINANCIAL INFORMATION

### Finance Costs

Our finance costs primarily include (i) interest on bank loans; (ii) interest on lease liabilities; and (iii) interest on convertible loan notes. The convertible loan notes mainly comprise debt and derivative notes issued to two of our employees and seven independent third parties. See “— Consolidated Statements of Financial Position — Current Assets and Liabilities — Convertible Loan Notes.” The following table sets forth a breakdown of our finance costs in absolute amounts and as a percentage of revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Interest on bank loans . . .	8,315	0.1	14,760	0.2	25,508	0.3
Interest on lease liabilities . . . . .	15,788	0.2	24,356	0.4	41,220	0.5
Interest on convertible loan notes . . . . .	6,637	0.0	29,105	0.4	20,794	0.2
Interest on amount due to a non-controlling shareholder . . . . .	191	0.0	932	0.0	—	—
Interest on issued written put options . . .	—	—	3,200	0.0	3,200	0.0
<b>Total . . . . .</b>	<b>30,931</b>	<b>0.3</b>	<b>72,353</b>	<b>1.0</b>	<b>90,722</b>	<b>1.0</b>

### Income Tax Credit/(Expense)

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate.

#### *Hong Kong*

Under the two-tiered profits tax rate regime of Hong Kong profits tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

#### *PRC*

Under the “EIT Law” and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period, except as disclosed below.

We had been recognized as a High New Tech Enterprise from 2019 to 2024. Shenzhen Aukeyhi Technology Co., Ltd had been recognized as a High New Tech Enterprise from 2021 to 2023. According to the “EIT Law” for High New Tech Enterprises, these entities are subject to a reduced Enterprise Income Tax rate of 15% during the Track Record Period.

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## FINANCIAL INFORMATION

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During the Track Record Period, several subsidiaries in the PRC qualified as small and micro enterprises under the PRC Enterprise Income Tax regime, which enjoyed an enterprise income tax rate of 2.5%-10%.

### *U.S.*

Pursuant to the relevant tax laws of the U.S., tax at a maximum of 21% federal corporate income tax rate and other relevant state tax rate of 8.84% has been provided on the taxable income arising in the U.S. throughout the Track Record Period.

### *Other Jurisdictions*

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

As of the Latest Practicable Date, we did not have any disputes with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation, enquiries, penalties or surcharges.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

### **Year Ended December 31, 2023 Compared with Year Ended December 31, 2022**

#### *Revenue*

Our total revenue increased by 22.3% from RMB7,100.2 million in 2022 to RMB8,683.0 million in 2023, primarily because (i) the revenue from sales of goods increased as a result of our continuous recovery from the Amazon Incident and our expansion in furniture and home furnishings offerings; see "Business — Marketing and Promotion — The Amazon Incident;" and (ii) the revenue from the provision of logistics solutions increased as we expanded customer base and fulfilled more orders.

#### *Sales of goods*

*Furniture and home furnishings.* Our revenue from sales of furniture and home furnishings increased by 27.5% from RMB4,187.1 million in 2022 to RMB5,336.6 million in 2023, primarily because of the expansion of our furniture and home furnishings offering and increased sales order of our furniture and home furnishings as we adjusted our product focus after the Amazon Incident. See "Business — Marketing and Promotion — The Amazon Incident."

*Electric tools.* Our revenue from sales of electric tools decreased by 44.8% from RMB628.9 million in 2022 to RMB347.2 million in 2023, primarily because (i) we downsized electric tools offerings after the Amazon Incident; and (ii) a large portion of sales in 2022 were for inventory clearance purposes where we disposed of the inventories affected by the Amazon Incident, which was mostly completed within 2022. See "Business — Marketing and Promotion — The Amazon Incident."

*Home appliances.* Our revenue from sales of home appliances decreased by 9.1% from RMB480.7 million in 2022 to RMB436.7 million in 2023, primarily because (i) we downsized our home appliances offerings after the Amazon Incident; and (ii) a large portion of sales in 2022 were for inventory clearance purpose, which was mostly completed within 2022. See "Business — Marketing and Promotion — The Amazon Incident."

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## FINANCIAL INFORMATION

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*Consumer electronics.* Our revenue from sales of consumer electronics decreased by 17.9% from RMB356.1 million in 2022 to RMB292.3 million in 2023, primarily because (i) we downsized consumer electronics offerings after the Amazon Incident; and (ii) a large portion of sales in 2022 were for inventory clearance purpose, which was mostly completed within 2022. See “Business — Marketing and Promotion — The Amazon Incident.”

*Sports and wellness.* Our revenue from sales of sports and wellness products decreased by 42.9% from RMB187.7 million in 2022 to RMB107.1 million in 2023, primarily because (i) we downsized sports and wellness product offerings after the Amazon Incident; and (ii) a large portion of sales in 2022 were for inventory clearance purpose, which was mostly completed within 2022. See “Business — Marketing and Promotion — The Amazon Incident.”

*Other categories.* Our revenue from sales of other categories of products remained relatively stable at RMB485.0 million in 2022 and RMB510.5 million in 2023.

### *Logistics solutions*

Our revenue from logistics solutions significantly increased from RMB774.7 million in 2022 to RMB1,652.6 million in 2023. Such an increase was primarily because we expanded our customer base and fulfilled more orders. In 2023, we broadened our strategic collaboration and developed new major customers, in total completing the delivery of over six million orders. This was achieved with our enhanced capabilities in last-mile fulfillment services and warehousing facilities.

### *Cost of sales*

Our cost of sales increased by 23.1% from RMB4,621.2 million in 2022 to RMB5,689.3 million in 2023, in line with the growth of our revenue.

### *Gross profit and gross profit margin*

Our gross profit increased by 20.8% from RMB2,479.0 million in 2022 to RMB2,993.7 million in 2023. Our gross profit margin remained relatively stable at 34.9% in 2022 and 34.5% in 2023.

Our gross profit from sales of goods increased from RMB2,340.9 million in 2022 to RMB2,753.0 million in 2023. Our gross profit margin from sales of goods increased from 37.0% in 2022 to 39.2% in 2023, primarily because (i) we had a larger revenue contribution from furniture and home furnishings which generally have a higher gross profit margin; and (ii) the decrease in logistics costs due to our further enhanced capabilities in logistics solutions associated with medium-to-large goods, the decreased price of first-mile international freight services we acquired to sell our products which was in line with the market trend due to intensified market competition, as well as our increased economies of scale in 2023 that enabled us to more efficiently use the third-party logistics services we acquired.

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## FINANCIAL INFORMATION

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Our gross profit from logistics solutions increased from RMB138.2 million in 2022 to RMB240.7 million in 2023. Our gross profit margin from logistics solutions decreased from 17.8% in 2022 to 14.6% in 2023, primarily because of (i) an increase in the price of last-mile fulfillment services we purchased for our provision of logistics solutions; and (ii) an increase in the rental price for storage units, both driven by increasing demand in the local markets.

### *Other gains and losses*

We had net other gains of RMB12.4 million in 2023, compared with net other losses of RMB21.7 million in 2022. This change was primarily because (i) we had foreign exchange gains in 2023, compared with foreign exchange losses in 2022, as a result of favorable movements in foreign exchange rates; and (ii) we had gains on changes in fair value of convertible loan notes in 2023, compared with losses from changes in fair value of convertible loan notes in 2022.

### *Selling expenses*

Our selling expenses remained relatively stable at RMB1,757.1 million in 2022 and RMB1,830.6 million in 2023, primarily due to increases in (i) marketing and advertising expenses, in line with our business growth; (ii) employment expenses as a result of an upward adjustment in salaries and bonuses paid to our staff in recognition of their performance in 2023; and (iii) platform service fees, which were substantially offset by a decrease in overseas warehouse leasing expenses as we rented fewer storage units after completion of the inventory clearances. See “Business — Marketing and Promotion — The Amazon Incident.”

### *Administrative expenses*

Our administrative expenses increased by 15.4% from RMB249.3 million in 2022 to RMB287.6 million in 2023, primarily due to an increase in depreciation and amortization of property, plant and equipment in relation to an office building that we acquired in July 2022.

### *Research and development expenses*

Our research and development expenses remained relatively stable at RMB123.7 million in 2022 and RMB119.2 million in 2023, primarily due to a decrease in employee expenses as a result of our shifted focus from consumer electronics to furniture and home furnishings, which was substantially offset by an increase in molding and tooling costs in line with our expanded brand and product portfolio.

### *Other expenses*

Our other expenses decreased by 21.2% from RMB33.0 million in 2022 to RMB26.0 million in 2023, primarily due to a decrease in cancellation fees paid to suppliers because of a decreased level of canceled procurement orders in 2023, compared with the high level of canceled procurement orders in 2022 due to the Amazon Incident. The Amazon Incident led to increased cancellation fees paid to suppliers in 2022, as we deferred the pick-up of or canceled certain supplies we purchased in 2021 prior to the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.”

### *Share of results of investments accounted for using the equity method*

Our share of results of investments accounted for using the equity method was a gain of RMB4.9 million in 2023, compared with a loss of RMB7.3 million in 2022, mainly because our associate, Shenzhen Apeman Innovations Technology Co., Ltd., which primarily engages in the operation of online stores on e-commerce platforms, improved its operations and became profitable in 2023.

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## FINANCIAL INFORMATION

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### *Finance costs*

Our finance costs increased from RMB72.4 million in 2022 to RMB90.7 million in 2023, as a result of (i) an increase in interest on lease liabilities in relation to right-of-use storage and warehouse assets of our overseas subsidiaries; and (ii) an increase in interest on bank loans due to an increased amount of bank borrowings.

### *Income tax expense*

Our income tax expenses increased from RMB8.8 million in 2022 to RMB119.8 million in 2023 as a result of an increase in our profit before tax.

### *Profit for the year*

As a result of the foregoing, our profit for the year significantly increased from RMB223.2 million in 2022 to RMB520.1 million in 2023.

## **Year Ended December 31, 2022 Compared with Year Ended December 31, 2021**

### *Revenue*

Our total revenue decreased by 21.7% from RMB9,071.2 million in 2021 to RMB7,100.2 million in 2022, mainly reflecting a decrease in revenue from sales of goods, which was partially offset by an increase in the revenue from logistics solutions.

### *Sales of goods*

*Furniture and home furnishings.* Our revenue from sales of furniture and home furnishings increased by 19.1% from RMB3,516.3 million in 2021 to RMB4,187.1 million in 2022 as we increased our sales of furniture and home furnishings, which was partially offset by the impact of the Amazon Incident. In 2022, we further expanded our furniture and home furnishings offerings with new categories, styles and specifications that were well-received by the market. See “Business — Marketing and Promotion — The Amazon Incident.”

*Electric tools.* Our revenue from sales of electric tools decreased by 57.0% from RMB1,462.9 million in 2021 to RMB628.9 million in 2022, primarily due to the impact of the Amazon Incident. See “Business — Marketing and Promotion — Amazon Incident.”

*Home appliances.* Our revenue from sales of home appliances decreased by 45.8% from RMB886.6 million in 2021 to RMB480.7 million in 2022, primarily due to the impact of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.”

*Consumer electronics.* Our revenue from sales of consumer electronics decreased by 66.6% from RMB1,067.3 million in 2021 to RMB356.1 million in 2022, primarily because of the impact of the Amazon Incident and our cessation of developing new consumer electronics to allocate more resources to furniture and home furnishings after the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.”

*Sports and wellness.* Our revenue from sales of sports and wellness products decreased by 61.8% from RMB491.9 million in 2021 to RMB187.7 million in 2022, primarily due to the impact of the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.”

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## FINANCIAL INFORMATION

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*Other categories.* Our revenue from sales of other categories of products decreased by 58.1% from RMB1,156.5 million in 2021 to RMB485.0 million in 2022, primarily attributable to the impact of the Amazon Incident. See "Business — Marketing and Promotion — The Amazon Incident."

### *Logistics solutions*

Our revenue from logistics solutions increased by 58.2% from RMB489.7 million in 2021 to RMB774.7 million in 2022. Such an increase was primarily a result of our increased capacity to provide logistics solutions. In 2022, we provided logistics solutions to more than 200 e-commerce company customers on 12 third-party e-commerce platforms and fulfilled more than four million orders.

### *Cost of sales*

Our cost of sales decreased by 35.6% from RMB7,176.1 million in 2021 to RMB4,621.2 million in 2022, primarily due to (i) a decrease in procurement costs in line with our decreased sales as a result of the Amazon Incident; and (ii) a reduced impact of write-down of inventories in relation to the Amazon Incident as we made provision for the affected inventories in 2021 after the Amazon Incident and disposed most of the affected inventories within 2022. See "Business — Marketing and Promotion — The Amazon Incident."

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by 30.8% from RMB1,895.1 million in 2021 to RMB2,479.0 million in 2022. Our gross profit margin increased from 20.9% in 2021 to 34.9% in 2022.

Our gross profit from sales of goods increased from RMB1,783.9 million in 2021 to RMB2,340.9 million in 2022. Our gross profit margin from sales of goods increased from 20.8% in 2021 to 37.0% in 2022, primarily because of (i) a larger revenue contribution from furniture and home furnishings which generally have higher gross profit margin; and (ii) an increased gross profit margin of furniture and home furnishings in 2022, primarily benefiting from decreased logistics costs due to our further enhanced capabilities in logistics solutions associated with medium-to-large goods, and a decreased price of first-mile international freight services we acquired to sell our products, which was in line with the market trend due to intensified market competition.

Our gross profit from logistics solutions increased from RMB111.2 million in 2021 to RMB138.2 million in 2022. Our gross profit margin from logistics solutions decreased from 22.7% in 2021 to 17.8% in 2022, primarily because of (i) a reduced write-down of inventories which was mainly affected by the Amazon Incident after which we made provision for inventories in 2021; (ii) an increase in the price of last-mile fulfillment services we procured for our provision of logistics solutions; and (iii) an increase in the rental price for storage units, both driven by the increasing demand in local markets.

### *Other gains and losses*

We had net other losses of RMB21.7 million in 2022, compared with net other gains of RMB360.5 million in 2021. This change primarily reflected (i) the single occurrence of gain on partial disposal of investments accounted for using the equity method in 2021 as we disposed of part of our equity interests in Shenzhen Apeman Innovations Technology Co., Ltd.; and (ii) the foreign exchange losses in 2022 compared with gains in 2021, mainly attributable to the foreign exchange rate fluctuations.

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## FINANCIAL INFORMATION

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### *Selling expenses*

Our selling expenses decreased by 30.2% from RMB2,517.4 million in 2021 to RMB1,757.1 million in 2022, mainly due to decreases in platform service fees as well as marketing and advertising expenses in line with our decreased sales of products.

### *Administrative expenses*

Our administrative expenses increased by 21.7% from RMB204.9 million in 2021 to RMB249.3 million in 2022, primarily driven by (i) an increase in employee expenses as a result of an increase in the number of our employees as well as an upward adjustment in salaries; and (ii) an increase in depreciation and amortization as a result of our acquisition of Shenzhen Maoshun Industrial Co., Ltd. in July 2022, which owned an office building.

### *Research and development expenses*

Our research and development expenses decreased by 30.1% from RMB176.8 million in 2021 to RMB123.7 million in 2022, primarily due to (i) a decrease in employee expenses as a result of our shifted focus from consumer electronics to furniture and home furnishings; and (ii) a decrease in molding and tooling costs as a result of shifting our product focus from consumer electronics to furniture and home furnishings which have fewer SKUs.

### *Other expenses*

Our other expenses increased by 40.9% from RMB23.4 million in 2021 to RMB33.0 million in 2022, primarily due to an increased level of canceled procurement orders resulting from the Amazon Incident. The Amazon Incident led to increased cancellation fees paid to suppliers in 2022 as we deferred the pick-up of and canceled certain supplies we had purchased in 2021 prior to the Amazon Incident. See “Business — Marketing and Promotion — The Amazon Incident.”

### *Share of results of investments accounted for using the equity method*

Our share of results of investments accounted for using the equity method was a loss of RMB11.1 million in 2021 and RMB7.3 million in 2022, mainly reflecting a decrease in loss arising from our associate, Shenzhen Apeman Innovations Technology Co., Ltd., resulting from improvements in its operations.

### *Finance costs*

Our finance costs significantly increased from RMB30.9 million in 2021 to RMB72.4 million in 2022, primarily driven by (i) an increase in interest on convertible loan notes primarily because we issued the convertible loan notes in the third quarter of 2021 and the interest expense only accrued during the remaining months in 2021 whereas the interests expenses were accrued during the whole year of 2022; and (ii) an increase in interest on bank loans, primarily due to our borrowing at a relatively high interest rate at the end of 2021, which accrued interest throughout 2022.



## FINANCIAL INFORMATION

### *Income tax credit/expense*

We had an income tax expense of RMB8.8 million in 2022 compared with an income tax credit of RMB144.6 million in 2021, as we incurred a loss before tax in 2021 whereas we achieved profit before tax in 2022.

### *(Loss)/Profit for the year*

As a result of the foregoing, we realized a profit of RMB223.2 million in 2022, compared with a loss of RMB589.9 million in 2021.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Non-current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	47,334	669,320	626,752
Right-of-use assets . . . . .	513,841	727,135	717,699
Investments accounted for using the equity method . . . . .	102,918	97,805	74,950
Intangible assets . . . . .	1,801	1,274	778
Financial assets at fair value through profit or loss (“FVTPL”) . . . . .	7,620	8,619	9,075
Equity instruments at FVTOCI . . . . .	243,031	185,713	198,207
Deferred tax assets . . . . .	385,743	395,908	296,881
Deposit for acquisition of assets through acquisition of a subsidiary . . . . .	67,495	—	3,541
Financial lease receivables . . . . .	10,416	85,619	74,319
Pledged bank deposits . . . . .	50,000	51,229	—
Deposit paid for acquisition of property, plant and equipment . . . . .	17,380	3,862	19,529
Bank deposit with original maturity over three months . . . . .	—	—	10,000
<b>Total non-current assets</b> . . . . .	<u>1,447,579</u>	<u>2,226,484</u>	<u>2,031,731</u>
<b>Non-current liabilities</b> . . . . .			
Bank borrowings . . . . .	—	129,025	276,598
Lease liabilities . . . . .	426,425	699,830	677,890
Contractual liabilities under issued written put option . . . . .	40,000	43,200	46,400
Other payables . . . . .	—	100,000	100,000
<b>Total non-current liabilities</b> . . . . .	<u>466,425</u>	<u>972,055</u>	<u>1,100,888</u>
<b>Net non-current assets</b> . . . . .	<u>981,154</u>	<u>1,254,429</u>	<u>930,843</u>

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## FINANCIAL INFORMATION

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### *Property, plant and equipment*

Our property, plant and equipment comprise leasehold land and buildings, motor vehicles, office equipment and electronic equipment, as well as leasehold improvement and others. The balance of our property, plant and equipment significantly increased from RMB47.3 million as of December 31, 2021 to RMB669.3 million as of December 31, 2022, primarily due to the added values of leasehold land and buildings of Shenzhen Maoshun Industrial Co., Ltd., which we acquired in July 2022. The balance of our property, plant and equipment decreased from RMB669.3 million as of December 31, 2022 to RMB626.8 million as of December 31, 2023, primarily due to depreciation of leasehold land and buildings.

### *Right-of-use assets*

Our right-of-use assets are mainly associated with leasehold lands and buildings. Our right-of-use assets increased from RMB513.8 million as of December 31, 2021 to RMB727.1 million as of December 31, 2022, primarily attributable to increases in the value of buildings which mainly represent warehousing and storage units. Our right-of-use assets decreased from RMB727.1 million as of December 31, 2022 to RMB717.7 million as of December 31, 2023, primarily because of the amortization of right-of-use assets according to the terms in lease agreements of Shenzhen Westernpost.

### *Investments accounted for using the equity method*

Our investments accounted for using the equity method represent our cost of investment, share of post-acquisition results and other comprehensive income and net of dividends received in our associates. Our investments accounted for using the equity method remained relatively stable at RMB102.9 million as of December 31, 2021 and RMB97.8 million as of December 31, 2022. Our investments accounted for using the equity method decreased from RMB97.8 million as of December 31, 2022 to RMB75.0 million as of December 31, 2023, primarily due to the disposal of our equity interests in an associate in the financial leasing industry and an associate that operates online stores on e-commerce platforms.

Under our investment policy with respect to investments in associates, we employ a comprehensive set of internal policies and guidelines to manage our investments in order to select appropriate targets and monitor the investment risks associated with our portfolio of associates. Under our internal control policies, after our investment managers in the investment team selects potential investment targets the team independently engages third parties to conduct comprehensive due diligence on the targets. The investment committee is responsible for deciding whether to invest in the selected targets.

### *Equity instruments at FVTOCI*

Our equity instruments at FVTOCI include listed equity securities, which represent ordinary shares of an entity listed in the PRC and unlisted equity investments in private entities established in the PRC which, as our Directors believe, are held for long-term strategic purposes. Our equity instruments at FVTOCI decreased from RMB243.0 million as of December 31, 2021 to RMB185.7 million as of December 31, 2022, primarily because of a decrease in unlisted equity investments as a result of (i) disposing of certain of our equity interests in unlisted equity investments; and (ii) a decrease in the fair value of our equity instruments. Our equity instruments at FVTOCI increased from RMB185.7 million as of December 31, 2022 to RMB198.2 million as of December 31, 2023, primarily because of an increase in the fair value of our equity instruments.

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### *Other payable (non-current)*

Our other payable (non-current) represents our consideration payables in relation to our acquisition of a subsidiary, Shenzhen Maoshun Industrial Co., Ltd. Our consideration payable was nil, RMB100.0 million and RMB100.0 million as of December 31, 2021, 2022 and 2023, respectively, as we acquired the company and incurred consideration payable in 2022 which, as of December 31, 2022, was due no later than 30 June 2025.

### **Current Assets and Liabilities**

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	February 29, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets</b>				
Inventories . . . . .	1,379,842	1,026,602	1,045,848	1,042,985
Trade receivables . . . . .	468,739	467,450	807,469	716,905
Contract assets . . . . .	7,536	4,223	7,322	—
Prepayments and other receivables . . . . .	212,934	227,536	287,676	326,978
Financial assets at FVTPL . . .	191,431	70,447	10,000	10,000
Financial lease receivables . . .	12,872	22,943	12,752	12,961
Pledged/restricted bank deposits . . . . .	204,883	269,395	164,891	236,773
Cash and cash equivalents . . .	533,202	642,864	809,838	779,552
<b>Total current assets . . . . .</b>	<b><u>3,011,439</u></b>	<b><u>2,731,460</u></b>	<b><u>3,145,796</u></b>	<b><u>3,126,154</u></b>
<b>Current liabilities</b>				
Trade and other payables . . . .	1,231,916	1,049,347	1,159,004	988,437
Amounts due to a non- controlling shareholder . . . .	60,191	1,123	1,123	1,123
Tax payable . . . . .	81,073	25,392	32,791	40,722
Bank borrowings . . . . .	542,483	488,365	386,595	477,316
Lease liabilities . . . . .	91,690	139,268	155,363	155,456
Contract liabilities . . . . .	55,008	61,945	48,199	17,053
Refund liabilities . . . . .	20,811	21,950	20,797	20,790
Convertible loan notes . . . . .	390,572	416,981	—	—
<b>Total current liabilities . . . . .</b>	<b><u>2,473,744</u></b>	<b><u>2,204,371</u></b>	<b><u>1,803,872</u></b>	<b><u>1,700,897</u></b>
<b>Net current assets . . . . .</b>	<b><u>537,695</u></b>	<b><u>527,089</u></b>	<b><u>1,341,924</u></b>	<b><u>1,425,257</u></b>

Our net current assets increased from RMB1,341.9 million as of December 31, 2023 to RMB1,425.3 million as of February 29, 2024, primarily due to a decrease in trade and other payables, which was partially offset by a decrease in prepayments and other receivables.

Our net current assets increased from RMB527.1 million as of December 31, 2022 to RMB1,341.9 million as of December 31, 2023, primarily due to a decrease in convertible loan notes and an increase in trade receivables.

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Our net current assets decreased from RMB537.7 million as of December 31, 2021 to RMB527.1 million as of December 31, 2022, primarily due to a decrease in inventories and an increase in convertible loan notes, which was partially offset by a decrease in trade and other payables.

### *Inventories*

Our inventories primarily include (i) finished goods produced by our OEM manufacturing partners; and (ii) right of goods return; representing net realizable value of inventories at an anticipated return based on our historical return rate.

The following table sets forth a breakdown of our inventories as of the date indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods . . . . .	2,446,317	1,327,445	1,079,210
Right of goods return . . . . .	3,325	3,940	6,161
Less: provision . . . . .	(1,069,800)	(304,783)	(39,523)
<b>Total . . . . .</b>	<b>1,379,842</b>	<b>1,026,602</b>	<b>1,045,848</b>

Our finished goods decreased from RMB2,446.3 million as of December 31, 2021 to RMB1,327.4 million as of December 31, 2022, primarily because we reduced procurement from OEM manufacturing partners in 2022, while we had to prioritize the disposal of inventories affected by the Amazon Incident. See "Business — Marketing and Promotion — The Amazon Incident." Our finished goods further decreased from RMB1,327.4 million as of December 31, 2022 to RMB1,079.2 million as of December 31, 2023 as (i) we sold more finished goods in 2023; and (ii) our enhanced supply chain management and digital WMS for inventory monitoring and management improved our operational efficiency.

We assess impairment to inventories from time to time during the Track Record Period and may make provision to write down our inventories to their net realizable value if they become expired or damaged, or their prices go down, and their net realizable value substantially decreases. During the Track Record Period, we made provision for impairment at each balance sheet date, considering (i) our historical sales performance; (ii) the life cycle of products in stock; and (iii) lower sales expectation for prudent reason.

We also make provision for inventories for incidents that have materially and adversely affected our business operations and caused by slow-moving inventories. After the Amazon Incident, we conducted impairment testing for the affected inventory and the test result indicates that a provision for inventory impairment should be made for the affected inventories. The impairment was made based on our judgment of the recoverability of the relevant inventories in order to ensure working capital sufficiency primarily in relation to daily operations and further development. We estimated the net realizable value of the affected inventory to be zero. As a result, we made provisions for impairment losses of RMB984.4 million on the inventories which were mainly affected by the Amazon Incident for the year ended December 31, 2021. We subsequently conducted inventory clearance of the affected inventories via online and offline channels in order to dispose of them. Any revenue from the

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disposals of such affected inventory in the subsequent online and offline sales within the amount of the original provision shall be restored and reversed, and the amount reversed shall be included in the profit or loss for the current period.

The following table sets forth an aged analysis of finished goods (without taking into consideration of accumulated provision for write-down of inventories) as of the date indicated:

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days . . . . .	1,323,627	741,310	886,817
91-180 days . . . . .	604,044	156,757	131,030
181-360 days . . . . .	497,888	158,720	40,828
1-2 years . . . . .	20,539	265,794	18,446
2-3 years . . . . .	213	4,655	2,089
Over 3 years . . . . .	6	209	–
<b>Total</b> . . . . .	<b>2,446,317</b>	<b>1,327,445</b>	<b>1,079,210</b>

The following table sets forth the turnover days of our finished goods for the years indicated:

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Finished goods turnover days <sup>(1)</sup> . . . . .	118.5	170.5	101.3

*Note:*

- (1) Finished goods turnover days for a period equals the average of the gross value of the opening and closing balance of our finished goods divided by the cost of sales for the relevant period, excluding cost of sales for logistics solutions and including the write-down of inventories, and multiplied by the number of days in the relevant period, which is 360 days for each year.

Our finished goods turnover days increased from 118.5 in 2021 to 170.5 in 2022 because of the affected inventories and the slowdown in sales of our products following the closure of our seller stores on Amazon after the Amazon Incident. In 2022, we primarily sold products, including the affected inventories, through other stores which were not restricted or new stores on Amazon, other online platforms or offline channels. Our finished goods turnover days subsequently decreased to 101.3 in 2023, primarily because (i) our sales of our finished goods increased; (ii) the impact of the Amazon Incident further diminished as we disposed of most affected inventories in 2022; and (iii) our enhanced supply chain management and digital WMS for inventory monitoring and management improved our operational efficiency. See “Business — Marketing and Promotion — The Amazon Incident.”

RMB482.9 million, or 44.8%, of our inventories as of December 31, 2023 had been delivered or consumed as of February 29, 2024.

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### *Trade receivables*

Our trade receivables represent the amounts due from our customers for the products sold or services performed in our ordinary course of business. The following table sets forth a breakdown of our trade receivables as of the date indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	516,449	501,238	876,395
Less: allowance of credit losses . . . . .	(47,710)	(33,788)	(68,926)
<b>Total</b> . . . . .	<b>468,739</b>	<b>467,450</b>	<b>807,469</b>

Our trade receivables net of allowance remained relatively stable amounting to RMB468.7 million as of December 31, 2021 and RMB467.5 million as of December 31, 2022, primarily reflecting decreases in trade receivables as well as allowance of credit losses due to our ability to recover funds from the accounts frozen following the Amazon Incident, as offset by an increase in trade receivables in line with our business growth on Wayfair and through offline channels in 2022. See “Business — Marketing and Promotion — The Amazon Incident.” Our trade receivables net of allowance increased by 72.7% from RMB467.5 million as of December 31, 2022 to RMB807.5 million as of December 31, 2023, mainly attributable to an increase in trade receivables in line with our business growth, particularly those due from Wayfair and Amazon which have relatively longer credit terms.

We decide trading terms with our customers on a case-by-case basis. We normally grant a credit period of 10 to 90 days to our customers. Trade receivables are generally settled in accordance with the terms of the respective contracts. The following table sets forth an aged analysis of trade receivables presented based on invoice dates:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days . . . . .	243,397	444,104	753,071
90-180 days . . . . .	126,064	23,346	20,851
181-365 days . . . . .	99,278	—	23,962
Over 365 days . . . . .	—	—	9,585
<b>Total</b> . . . . .	<b>468,739</b>	<b>467,450</b>	<b>807,469</b>

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After the Amazon Incident, a total of RMB235.5 million of funds under the Restricted Online Stores' online accounts was frozen in 2021. This resulted in an increase in our trade receivables aging from the typical three months to 12 months in 2021. As of December 31, 2023, substantially all of the frozen funds had been released as a result of our proactive communications with Amazon, with the remaining RMB3.0 million (accounting for approximately 1% of the original amount) mainly in relation to the Restricted Online Stores' settlement of fees with Amazon and unlikely refundable based on our estimation of expenses originally incurred for our previous utilization of services provided by Amazon and subject to our further negotiation with Amazon.

The following table sets forth the turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade receivables turnover days <sup>(1)</sup> . . . .	16.8	23.7	26.4

*Note:*

- (1) Trade receivables turnover days for a period equals the average of the gross value of the opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, which is 360 days for each year.

We had longer average turnover days of trade receivables in 2022 compared with 2021, primarily due to (i) a decrease in revenue; and (ii) increased sales on Wayfair, the platform policies of which require relatively a longer credit period compared with other third-party e-commerce platforms and of offline channels. Our trade receivables turnover days remained relatively stable in 2023 compared with 2022.

RMB655.5 million, or 74.8%, of our trade receivables as of December 31, 2023 had been settled as of February 29, 2024.

### *Prepayments and other receivables*

Our prepayments and other receivables primarily represent (i) prepayments for purchases required by some suppliers; (ii) value-added tax receivable; (iii) other tax receivable; (iv) consideration receivables; and (v) deposits in relation to leased properties. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for purchases . . . . .	108,775	70,436	101,683
Value-added tax receivable . . . . .	56,621	55,600	55,800
Other tax receivable . . . . .	2,830	1,042	22,349
Consideration receivables . . . . .	—	70,920	70,920
Deposits . . . . .	30,646	39,781	41,415
Deferred issue cost . . . . .	—	—	6,222
Prepaid issue cost . . . . .	—	—	98
Others . . . . .	22,604	1,590	12,049
Less: Allowance for credit losses . . . . .	(8,542)	(11,833)	(22,860)
<b>Total</b> . . . . .	<b>212,934</b>	<b>227,536</b>	<b>287,676</b>

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Our prepayments and other receivables remained relatively stable at RMB212.9 million as of December 31, 2021 and RMB227.5 million as of December 31, 2022, primarily reflecting an increase in consideration receivables from nil as of December 31, 2021 to RMB70.9 million as of December 31, 2022 resulting from the disposal of certain of our equity interest in our subsidiary, Shenzhen Fantech Technology Innovation Co., Ltd, which primarily engages in the operations of online stores on third-party e-commerce platforms, procurement and sales of products. This was substantially offset by a decrease in prepayments for purchases, mainly because we deferred the pick-up of certain supplies for which we had made prepayments in 2021 to 2022 as a result of the Amazon Incident and accordingly incurred less prepayments for purchases in 2022. Our prepayments and other receivables increased by 26.5% from RMB227.5 million as of December 31, 2022 to RMB287.7 million as of December 31, 2023, mainly reflecting an increase in prepayments for purchases in line with our business growth, as some of our new suppliers required prepayments.

RMB114.5 million, or 39.8%, of our prepayments and other receivables as of December 31, 2023 had been settled as of February 29, 2024.

### *Financial assets at FVTPL*

Our financial assets at FVTPL recorded as current and non-current assets primarily represent structured deposits and foreign exchange forwards. Our financial assets at FVTPL decreased from RMB199.1 million as of December 31, 2021 to RMB79.1 million as of December 31, 2022, and further decreased to RMB19.1 million as of December 31, 2023, mainly due to the redemption of structured deposits that had matured by the end of 2022 and 2023, respectively.

Under our investment policy on the purchase of such financial assets, we employ a comprehensive set of internal policies and guidelines to manage our investments in order to monitor the investment risks associated with our portfolio of financial assets. Under our investment policy, we monitor the levels of idle cash and bank balances and use idle cash to increase our returns based on our working capital requirements at the relevant time. Under our internal control policies, our board of Directors sets the general guidance for the purchase of financial assets at the beginning of each financial year. Our finance department is responsible for making decisions to purchase financial assets as outlined in the guidance, as well as managing and monitoring the risks associated with our portfolio of financial assets. Our management, including our finance department, has extensive experience in managing the financial aspects of our operations.

Our investment strategy related to such products focuses on minimizing financial risks, including market, credit and liquidity risk, while generating desirable investment returns. Our investment horizon for each short-term financial asset we purchase is typically between one to three months.

Upon the [REDACTED], we intend to continue our purchase of structured deposits, foreign exchange forwards and unlisted life insurance policies strictly in accordance with our internal control policy, Articles of Association.



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### *Pledged/restricted bank deposits (current portion)*

Pledged/restricted bank deposits (current) represent the deposits pledged to banks for the issuance of our bills payables, bank loans performance bonds and our frozen deposits in connection to the Amazon Incident. Our pledged/restricted bank deposits increased from RMB204.9 million as of December 31, 2021 to RMB269.4 million as of December 31, 2022, primarily attributable to an increase in deposits pledged to banks for the issuance of our bills payables. Our pledged/restricted bank deposits decreased from RMB269.4 million as of December 31, 2022 to RMB164.9 million as of December 31, 2023, primarily attributable to (i) a decrease in the deposits pledged to banks for our bills payables as we recovered such deposits upon our payment of the bills payables; (ii) a decrease in deposits pledged to banks for bank loans upon our repayment of some bank loans; and (iii) a decrease in deposits pledged to banks for performance bond primarily since we recovered the deposits on certain third-party e-commerce platforms along with the closure of some of our shops thereon.

### *Trade and other payables*

Our trade and other payables primarily consist of (i) trade payables to suppliers; (ii) trade payables to associates; (iii) bill payables, representing our payables settled by bills; (iv) consideration payables associated with our investments; (v) accrued salaries; (vi) other tax payables; and (vii) deposits.

The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
-third parties . . . . .	804,703	751,654	919,612
-associates . . . . .	109,409	60,741	18,384
	<b>914,112</b>	<b>812,395</b>	<b>937,996</b>
Bill payables . . . . .	229,952	111,368	96,956
Consideration payable . . . . .	—	130,000	130,000
Accrued employees' benefits . . . . .	42,561	45,808	47,291
Other tax payables . . . . .	2,438	3,032	5,247
Deposits . . . . .	31,005	15,947	11,279
Provisions . . . . .	1,903	17,381	15,326
Accrued issue cost . . . . .	—	—	10,197
Others . . . . .	9,945	13,416	4,712
<b>Total . . . . .</b>	<b>1,231,916</b>	<b>1,149,347</b>	<b>1,259,004</b>

Our trade and other payables decreased from RMB1,231.9 million as of December 31, 2021 to RMB1,149.3 million as of December 31, 2022, primarily reflecting a decrease in bill payables in line with our decreased revenue. Our trade and other payables increased from RMB1,149.3 million as of December 31, 2022 to RMB1,259.0 million as of December 31, 2023, primarily due to an increase in trade payables to suppliers in line with our business growth.

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We are generally granted a credit period of up to three months by our suppliers on purchases of goods. The following table sets forth an aged analysis of our trade and bill payables presented based on the invoice date:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days . . . . .	786,943	803,277	965,208
91-180 days . . . . .	186,504	96,372	50,521
181-360 days . . . . .	168,062	17,118	11,906
Over 360 days . . . . .	2,555	6,996	7,317
<b>Total</b> . . . . .	<b>1,144,064</b>	<b>923,763</b>	<b>1,034,952</b>

The following table sets forth the turnover days of our trade and bill payables for the years indicated:

	As of December 31,		
	2021	2022	2023
Trade and bill payables turnover days <sup>(1)</sup>	70.4	80.5	62.0

*Note:*

- (1) Trade and bill payables turnover days for a period equals the average of the gross value of the opening and closing trade and bill payables balance divided by the cost of sales for the relevant period, excluding the write-down of inventories, and multiplied by the number of days in the relevant period, which is 360 days for each year.

Our trade and bill payables turnover days remained relatively stable 70.4 and 80.6 days in 2021 and 2022, respectively. Our trade and bill payables turnover days decreased from 80.6 days in 2022 to 62.0 days in 2023, mainly due to (i) our enhanced liquidity and therefore the ability to make payments; and (ii) an increase in the procurement from furniture and home furnishings suppliers who typically require upfront payment, according to Frost & Sullivan.

RMB990.6 million, or 78.9%, of our bill and other payables as of December 31, 2023 had been settled as of February 29, 2024.

### ***Tax payable***

Our tax payable decreased from RMB81.1 million as of December 31, 2021 to RMB25.4 million as of December 31, 2022, primarily because of our payment by May 2022 for the unpaid taxes for 2021 and a decrease in revenue in 2022. Our tax payable increased from RMB25.4 million as of December 31, 2022 to RMB32.8 million as of December 31, 2023, in line with the increase in revenue.

### ***Contract liabilities***

Our contract liabilities primarily represent advance payments from customers upon which the performance obligations have been established while the underlying services are yet to be provided. Our current and non-current contract liabilities increased from RMB55.0 million as of December 31, 2021 to RMB61.9 million as of December 31, 2022, primarily due to an increase in advance payments by customers of our logistics solutions in line with the expansion

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of our logistics solutions. Our current and non-current contract liabilities decreased from RMB61.9 million as of December 31, 2022 to RMB48.2 million as of December 31, 2023, primarily due to decreases in the number of offline distributors and revenue from offline sales.

The following table sets forth a breakdown of our contract liabilities as of the date indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods . . . . .	52,201	54,873	39,136
Logistics solutions . . . . .	2,807	7,072	9,063
<b>Total . . . . .</b>	<b>55,008</b>	<b>61,945</b>	<b>48,199</b>

RMB41.5 million, or 86.2%, of our contract liabilities as of December 31, 2023 had been settled as of February 29, 2024.

### *Refund liabilities*

Our refund liabilities represent expected refunds payable to our customers in relation to returned orders. Our current and non-current refund liabilities remained relatively stable at RMB20.8 million, RMB22.0 million and RMB20.8 million as of December 31, 2021, 2022 and 2023, respectively.

RMB20.8 million, or 100.0%, of our refund liabilities as of December 31, 2023 had been settled as of February 29, 2024.

### *Convertible loan notes*

Our convertible loan notes represent the debt and derivative notes issued to two of our employees and seven independent third parties. See Note 34 of the Accountants' Report in Appendix I to this document. Our convertible loan notes increased from RMB390.6 million as of December 31, 2021 to RMB417.0 million as of December 31, 2022, primarily due to an increase in their fair value. Our convertible loan notes decreased from RMB417.0 million as of December 31, 2022 to nil as of December 31, 2023, primarily because we repaid our convertible loan notes in 2023. The following table sets forth convertible loan notes as of the date indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year . . . . .	—	390,572	416,981
Issued during the year . . . . .	380,000	—	—
Changes in fair value charged to profit or loss . . . . .	3,935	3,304	(7,239)
Accrued interest . . . . .	6,637	29,105	20,794
Repayment . . . . .	—	(6,000)	(430,536)
<b>Carrying amount at the end of the year . . . . .</b>	<b>390,572</b>	<b>416,981</b>	<b>—</b>

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years or as of the dates indicated:

	Year ended/As of December 31,		
	2021	2022	2023
Gross profit margin <sup>(1)</sup> (%) . . . . .	20.9	34.9	34.5
Adjusted gross profit margin (non-IFRS measure) <sup>(1)</sup> (%) . . . . .	31.7	35.1	34.7
Gross profit margin of sales of goods <sup>(2)</sup> (%) . . . . .	20.8	37.0	39.2
Gross profit margin of logistics solutions <sup>(3)</sup> (%) . . . . .	22.7	17.8	14.6
Net profit margin <sup>(4)</sup> (%) . . . . .	(6.5)	3.1	6.0
Gearing ratio <sup>(5)</sup> . . . . .	1.0	1.1	0.7
Current ratio <sup>(6)</sup> . . . . .	1.2	1.2	1.7
Quick ratio <sup>(7)</sup> . . . . .	0.7	0.8	1.2

*Notes:*

- (1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%. For details of adjusted gross profit margin (non-IFRS measure), please see “— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin” and “— Description of Major Components of Our Results of Operations — Non-IFRS Financial Measure.”
- (2) Gross profit margin of sales of goods equals the difference between our revenue from sales of goods and the cost of sales for sales of goods divided by revenue from sales of goods for the year and multiplied by 100%.
- (3) Gross profit margin of logistics solutions equals the difference between our revenue from logistics solutions and the cost of sales for logistics solutions divided by revenue from logistics solutions for the year and multiplied by 100%.
- (4) Net profit margin equals net (loss)/profit divided by revenue for the year/period and multiplied by 100%.
- (5) Gearing ratio equals total interest-bearing debt (including interest-bearing bank and other borrowings, lease liabilities and convertible loan notes) divided by total equity.
- (6) Current ratio equals total current assets divided by total current liabilities.
- (7) Quick ratio equals total current assets less inventories divided by total current liabilities.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from borrowings, cash from operations and equity financings.

As of December 31, 2021, 2022 and 2023 and February 29, 2024, being the Indebtedness Date, we had cash and cash equivalents of RMB533.2 million, RMB642.9 million and RMB809.8 million and RMB779.6 million, respectively. Our Directors are of the opinion that, taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents, our bank borrowings and cash flows from operating activities we have sufficient working capital for our present requirements, that is at least 12 months from the date of this Document.

## FINANCIAL INFORMATION

### Cash Flow

The following table sets forth our cash flows for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/from operating activities . . . . .	(1,192,638)	609,795	586,360
Net cash from/(used in) investing activities . . . . .	239,163	(373,667)	210,641
Net cash from/(used in) financing activities . . . . .	765,279	(129,073)	(632,443)
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(188,196)</b>	<b>107,055</b>	<b>164,558</b>
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b><u>533,202</u></b>	<b><u>642,864</u></b>	<b><u>809,838</u></b>

#### *Net cash (used in)/from operating activities*

Net cash (used in)/from operating activities primarily comprises our loss/profit for the years adjusted by (i) changes in non-cash items, such as depreciation of right-of-use assets, finance costs and exchange loss; and (ii) changes in working capital, such as inventories, trade receivables and trade and other payables.

In 2023, our net cash from operating activities was RMB586.4 million, which was primarily attributable to our profit before tax for the year of RMB639.9 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation of right-of-use assets of RMB146.2 million; and (ii) changes in working capital, which primarily comprised an increase in trade receivables of RMB377.1 million.

In 2022, our net cash from operating activities was RMB609.8 million, which was primarily attributable to our profit before tax for the year of RMB232.0 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation of right-of-use assets of RMB122.4 million; and (ii) changes in working capital, which primarily comprised a decrease in inventories of RMB348.7 million and a decrease in trade and other payables of RMB233.5 million.

In 2021, our net cash used in operating activities was RMB1,192.6 million, which was primarily attributable to our loss before tax for the year of RMB734.5 million, as adjusted by (i) the changes in non-cash items, primarily comprised of the add-back of write-down of inventories of RMB984.4 million and the deduction of gain on the partial disposal of an investment accounted for using the equity method of RMB319.2 million; and (ii) changes in working capital, which primarily comprised a decrease in trade and other payables of RMB525.6 million, an increase in inventories of RMB419.2 million and an increase in trade receivables of RMB150.7 million.

#### *Net cash from/(used in) investing activities*

In 2023, our net cash from investing activities was RMB210.6 million, which was primarily attributable to proceeds of withdrawals from pledged/restricted bank deposits of RMB320.6 million and disposal of financial assets at FVTPL of RMB70.4 million.

## FINANCIAL INFORMATION

In 2022, our net cash used in investing activities was RMB373.7 million, which was primarily attributable to purchases of financial assets at FVTPL of RMB1,720.4 million and net cash outflow on the acquisition of a subsidiary, partially offset by the proceeds of disposal of financial assets at FVTPL of RMB1,840.1 million.

In 2021, our net cash from investing activities was RMB239.2 million, which was primarily attributable to proceeds from the disposal of financial assets at FVTPL of RMB2,555.4 million, partially offset by purchases of financial assets at FVTPL of RMB2,328.8 million.

### *Net cash from/(used in) financing activities*

In 2023, our net cash used in financing activities was RMB632.4 million, which was primarily attributable to contributions from non-controlling interests of RMB3.0 million and repayments of bank borrowings of RMB891.2 million, partially offset by new bank borrowings raised of RMB937.0 million.

In 2022, our net cash used in financing activities was RMB129.1 million, which was primarily attributable to repayments of bank borrowings of RMB1,329.2 million, repayments of lease liabilities of RMB98.9 million and repayment to a non-controlling shareholder of RMB60.0 million, partially offset by new bank borrowings raised of RMB1,403.7 million.

In 2021, our net cash from financing activities was RMB765.3 million, which was primarily attributable to new bank borrowings raised of RMB1,594.4 million and proceeds on the issue of convertible loan notes of RMB380.0 million, partially offset by repayments of bank borrowings of RMB1,239.3 million.

## INDEBTEDNESS

As of February 29, 2024, being the Indebtedness Date for the purpose of the indebtedness statement, we had total indebtedness of RMB1,606.1 million, including (i) bank borrowings of RMB799.6 million, which were primarily bank loans; (ii) lease liabilities of RMB805.4 million; and (iii) amounts due to related parties of RMB1.1 million.

### Bank Borrowings

We had bank borrowings of RMB542.5 million, RMB617.4 million, RMB663.2 million and RMB799.6 million as of December 31, 2021, 2022 and 2023 and February 29, 2024, respectively. See Note 30 of the Accountants' Report in Appendix I to this document. Our bank borrowings primarily comprise bank loans with effective interest rates ranging from 0.0% to 4.5% during the Track Record Period. As of February 29, 2024, our unutilized banking facilities were RMB430.2 million.

	As of December 31,			As of
	2021	2022	2023	February 29,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i> <i>(unaudited)</i>
Bank loans				
Secured	312,012	523,442	377,753	424,870
Unsecured	230,471	93,948	285,440	374,693
<b>Total</b>	<b>542,483</b>	<b>617,390</b>	<b>663,193</b>	<b>799,563</b>

## FINANCIAL INFORMATION

We confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. We further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings or default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

### Lease Liabilities

As of December 31, 2021, 2022 and 2023 and February 29, 2024, our current and non-current lease liabilities were RMB518.1 million, RMB839.1 million, RMB833.3 million and RMB805.4 million, respectively. Our lease liabilities primarily represent leases of land and buildings to support our overall business operations and growth.

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Lease liabilities payable:				
Within 1 year . . . . .	91,690	139,268	155,363	155,456
Within a period of more than one year but not exceeding two years . . . . .	92,353	128,564	167,552	166,242
Within a period of more than two years but not exceeding five years . . . . .	241,428	389,869	360,185	242,614
Within a period of more than five years . . . . .	92,644	181,397	150,153	241,090
<b>Total . . . . .</b>	<b>518,115</b>	<b>839,098</b>	<b>833,253</b>	<b>805,403</b>
Less: Amount due for settlement within 12 months under current liabilities . . . .	(91,690)	(139,268)	(155,363)	(155,456)
<b>Amount due for settlement after 12 months shown under non-current liabilities . . . . .</b>	<b>426,425</b>	<b>699,830</b>	<b>677,890</b>	<b>649,947</b>

## FINANCIAL INFORMATION

### Amount Due to A Non-controlling Shareholder

As of December 31, 2021, 2022 and 2023 and February 29, 2024, our amount due to a non-controlling shareholder were RMB60.2 million, RMB1.1 million, RMB1.1 million and RMB1.1 million, respectively. Our amounts due to related parties primarily represent our borrowings from Mr. Zhang Xiao charged at 3% per annum, the principal of which we had fully repaid by December 31, 2022.

	As of December 31,			As of February 29
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due to related parties:				
Mr. Zhang Xiao <sup>(1)</sup> . . . . .	60,191	1,123	1,123	1,123

*Note:*

(1) Mr. Zhang is a non-controlling shareholder of our subsidiary, Shenzhen Xiyou Zhicang Technology Co., Ltd.

Except as disclosed above, during the Track Record Period and up to February 29, 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

### CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and February 29, 2024, we did not have any material contingent liabilities.

### CAPITAL EXPENDITURES

Our capital expenditures in 2021, 2022 and 2023 were RMB62.4 million, RMB33.6 million and RMB32.3 million, respectively, primarily representing purchases of property, plant and equipment, payments for right-of-use assets and purchases of other intangible assets. We funded our capital expenditure requirements mainly from borrowings, cash from sales and equity financing.

We expect that our capital expenditures in 2024 will primarily consist of payments for property, plant and equipment as well as intangible assets, which is in line with our business growth. We intend to fund our future capital expenditures and long-term investments with borrowings, cash from sales and equity financing. See “Future Plans and [REDACTED].”

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.



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## FINANCIAL INFORMATION

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### MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 40 of the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### FINANCIAL RISK DISCLOSURE

We have adopted a risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including market, credit and liquidity risk.

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. We are exposed primarily to interest rate risk. There has been no change in our exposure to the risk or this manner in which we manage and measure the risk.

#### ***Interest rate risk***

We are exposed to fair value interest rate risk for certain financial assets and financial liabilities including fixed-rate bank deposits and fixed-rate loans. We are also exposed to cash flow interest rate risk for our interest-bearing financial liabilities and certain of our interest-bearing financial assets, including bank balances, cash and restricted bank deposits which carry interest at variable interest rates.

We currently do not have an interest rate hedging policy. Our management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise. In the opinion of our Directors, we do not have a material interest rate risk exposure and hence no sensitivity analysis is presented.

#### ***Foreign exchange risk***

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Foreign exchange risk is the risk of loss resulting from fluctuations in foreign currency exchange rates. Most of our sales of products are denominated and settled in U.S. dollars and Euros, with the remaining denominated and settled in currencies of the geographical markets to which we sell our products. We mainly pay our suppliers that are located in the PRC in Renminbi. The foreign exchange risk we are facing mainly comes from movements in USD/RMB and EUR/RMB.

During the Track Record Period, we had net foreign exchange gains of RMB23.2 million in 2021, losses of RMB21.7 million in 2022 and gains of RMB14.3 million in 2023 due to the foreign exchange rate fluctuations in connection with our outstanding trade and other receivables denominated in foreign currencies.

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## FINANCIAL INFORMATION

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### **Credit Risk**

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to us. Our credit risk exposures are primarily attributable to trade and other receivables, contract assets, restricted bank deposits, bank balances, an amount due from a shareholder and amounts due from fellow subsidiaries. We do not hold any collateral or other credit enhancements to cover the credit risks associated with our financial assets.

In order to minimize the credit risk, our management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

As part of our credit risk management, we use debtors' aging to assess the impairment for our customers as they consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. See Note 26 of the Accountants' Report in Appendix I to this document.

In the opinion of our Directors, we have no significant credit risk for the receivable from the related party because we can closely monitor the repayment of the related party. We have a concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balance and restricted bank deposits is limited because the counterparties are banks with good reputations. We have no significant concentration of credit risk on trade and other receivables, with exposure spread over a large number of counterparties and customers.

### **Liquidity Risk**

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations. See Note 38 of the Accountants' Report in Appendix I to this document.

### **DIVIDEND**

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Currently, we do not have a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our PRC Legal Advisors, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board.

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## FINANCIAL INFORMATION

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### WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, the available banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

### DISTRIBUTABLE RESERVES

As of December 31, 2023, we had distributable reserves of RMB1,487.8 million, representing the reserves of our Company as of the same date.

### [REDACTED] EXPENSE

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately [REDACTED] million, representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED] (based on the mid-point of the indicative [REDACTED] and assuming the [REDACTED] is not exercised). The [REDACTED] expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK\$[REDACTED] fees and approximately HK\$[REDACTED] fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]). Among the total [REDACTED] expenses which we expect to incur, approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares and capitalized, and the remaining HK\$[REDACTED] will be expensed upon [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in 2024.

### UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information” for details.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

We have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of the periods reported in the Accountants’ Report set out in Appendix I to this document, and there is no event since December 31, 2023 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FUTURE PLANS AND [REDACTED]

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### 1. FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

### 2. USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] commissions and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED]. We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for our business expansion. We intend to expand our business scale and provide consumers with high-quality products. In particular:
  - o approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance our supply chain management systems, among which:
    - (i) about [REDACTED]%, or HK\$[REDACTED], will be used to establish global prototyping centers to enable quick prototyping and standardization, optimize product development and reduce product development expenses. We plan to (a) establish leading prototyping centers in China, Southeast Asia and Mexico; (b) purchase prototyping equipment and (c) establish our prototyping team to recruit experts and technicians with backgrounds in structure design, production, materials and equipment automation.
    - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to establish our supply chain management center to strengthen operation capabilities. We plan to (a) construct a supply chain management center in China and (b) improve our supply chain management capabilities and recruit professionals.
    - (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for overseas supply chain expansion. We plan to establish partnership with more suppliers in Southeast Asia and other overseas regions to reduce production costs and better meet the needs of different markets.
  - o approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for our product development. We plan to strengthen our product development and continue developing products to meet consumer needs, among which:
    - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to enrich our product portfolio to solidify our leading position in the global B2C e-commerce market for furniture and home furnishings. We plan to (a) expand product lines around “home and life” scenarios to capture market demands, in particular, we intend to invest continuously in developing and launching medium-to-oversized products by leveraging the existing advantages of the medium-to-large goods and (b) expand our purchasing team for medium-to-oversized product development.

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## FUTURE PLANS AND [REDACTED]

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- (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our product design and development. We plan to (a) increase the investment in design and development, including materials and structures, to enhance the competitiveness of our products; (b) expand our product design team and (c) expand our product development team.
  - (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to conduct market research. We plan to (a) expand our data research team to analyze the changing consumer needs, and quickly formulate new product strategies based on consumer preference in different countries and (b) purchase accesses to related databases.
- o approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to upgrade our warehousing and logistics systems, among which:
  - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and enhance our overseas warehouse network. We plan to establish five smart warehousing centers in the U.S. and Mexico and develop automated equipment in these centers to adapt to our rapid growth and evolving business needs.
  - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to improve our installation and after-sales service. We plan to establish a professional on-site installation and after-sales service team to ensure our consumers to receive comprehensive support and assistance in purchasing and using our products.
- o approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to further expand our sales channels, among which:
  - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to further improve and expand our offline sales channels. We intend to establish and deepen the cooperation with offline sales channels to expand our offline business in developed countries such as Europe and the U.S. We plan to (a) recruit sales and customer service employees and (b) place relevant advertisement and purchase marketing solutions for offline channels.
  - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to continuously promote our key brand strategy. We intend to further strengthen our brand recognition and consumer loyalty, increase product repurchase rates and expand brand awareness. We plan to (a) recruit marketing experts and (b) place relevant advertisement and purchase marketing solutions.

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## FUTURE PLANS AND [REDACTED]

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- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance our digitalization. We intend to further improve our information management systems. In particular:
  - approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to improve automation and digitalization of our warehousing and logistics processes. We plan to (i) independently or jointly research and develop warehousing equipment that can be operated automatically; (ii) upgrade our existing warehousing management systems to streamline the processes for order receipt, selection, packaging and dispatch, which will significantly reduce human error and increase operational efficiency and (iii) set up a dedicated product development team.
  - approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance information technology infrastructure construction and integrate data to increase the efficiency of supply chain management. We plan to (i) strengthen the digitalized management of suppliers and integrate the data across product development, production and sales, thereby achieving visualized and standardized supply chain management to improve the efficiency of our supply chain operation and (ii) establish a digitalized management team.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for potential investment or mergers and acquisitions opportunities along the industry chain. In particular:
  - approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for mergers and acquisitions to enhance our supply chain. We intend to (i) invest in or acquire manufacturing partners whose operations are synergistic with our business and (ii) invest in or acquire overseas logistics solutions providers to improve our global supply chain efficiency. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions nor had we identified any definite acquisition targets.
  - approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for the acquisition of third-party brands. We intend to (i) invest in or acquire companies operating furniture and home furnishings brands with strong sales network and (ii) establish strategic cooperation with or acquire companies operating potential brands that complement our business. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions nor had we identified any definite acquisition targets.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for working capital and general corporate uses.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED], the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] or HK\$[REDACTED], respectively.

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## FUTURE PLANS AND [REDACTED]

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The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the maximum [REDACTED] of the indicative [REDACTED]); (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED]) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the minimum [REDACTED] of the indicative [REDACTED] range).

To the extent that the net [REDACTED] from the [REDACTED] are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis. To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to affect any part of our future development plans as intended, we will only hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong or China for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]



## STRUCTURE OF THE [REDACTED]

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## APPENDIX I

## ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION

*The following is the text of a report set out on pages I-1 to I-[●], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

# Deloitte.

# 德勤

### ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AUGROUP TECHNOLOGY CO., LTD. (FORMERLY KNOWN AS AUKEY TECHNOLOGY CO., LTD.) AND HUATIAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

#### Introduction

We report on the historical financial information of AuGroup Technology Co., Ltd. (formerly known as Aukey Technology Co., Ltd.) (“the Company”) and its subsidiaries (together, “the Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows for each of the three years ended 31 December 2021, 2022 and 2023 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information are set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of H-shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [3] to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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**APPENDIX I**

**ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

[In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2021, 2022 and 2023, of the Company's financial position as at 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.]

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

*Dividends*

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

**[Deloitte Touche Tohmatsu]**

*Certified Public Accountants*

Hong Kong

[Date]

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**APPENDIX I**

**ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

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**HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**APPENDIX I**

**ACCOUNTANTS’ REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	9,071,193	7,100,230	8,682,977
Cost of sales		<u>(7,176,094)</u>	<u>(4,621,181)</u>	<u>(5,689,287)</u>
Gross profit		1,895,099	2,479,049	2,993,690
Other income	6	20,399	19,868	42,320
Impairment losses under expected credit loss model (“ECL”), net of reversal	7	(45,832)	(2,472)	(48,854)
Other gains and losses	8	360,472	(21,697)	12,432
Selling expenses		(2,517,379)	(1,757,101)	(1,830,619)
Administrative expenses		(204,920)	(249,294)	(287,645)
Research and development expenses		(176,834)	(123,689)	(119,153)
Other expenses		(23,408)	(32,982)	(26,004)
[REDACTED]		—	—	[REDACTED]
Share of results of investments accounted for using the equity method		(11,125)	(7,327)	4,875
Finance costs	9	<u>(30,931)</u>	<u>(72,353)</u>	<u>(90,722)</u>
(Loss) profit before tax		(734,459)	232,002	639,908
Income tax credit (expense)	10	<u>144,580</u>	<u>(8,833)</u>	<u>(119,807)</u>
(Loss) profit for the year	11	<u><u>(589,879)</u></u>	<u><u>223,169</u></u>	<u><u>520,101</u></u>
Other comprehensive income (expense) for the year				
Items that will not be reclassified subsequently to profit or loss:				
Fair value changes on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		149,116	(38,125)	8,037
Share of other comprehensive expense of investments accounted for using the equity method, net of related income tax		<u>(90,083)</u>	<u>(65)</u>	<u>—</u>
		<u>59,033</u>	<u>(38,190)</u>	<u>8,037</u>

APPENDIX I

ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION

	NOTES	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		175	3,899	620
Share of other comprehensive (expense) income of investments accounted for using the equity method, net of related income tax		(163)	1,387	380
		<u>12</u>	<u>5,286</u>	<u>1,000</u>
Other comprehensive income (expense) for the year		<u>59,045</u>	<u>(32,904)</u>	<u>9,037</u>
<b>Total comprehensive (expense) income for the year</b>		<u>(530,834)</u>	<u>190,265</u>	<u>529,138</u>
(Loss) profit for the year attributable to:				
Owners of the Company		(580,797)	219,054	532,010
Non-controlling interests		(9,082)	4,115	(11,909)
		<u>(589,879)</u>	<u>223,169</u>	<u>520,101</u>
Total comprehensive (expense) income attributable to:				
Owners of the Company		(521,469)	183,692	540,561
Non-controlling interests		(9,365)	6,573	(11,423)
		<u>(530,834)</u>	<u>190,265</u>	<u>529,138</u>
(Loss) earnings per share				
— Basic and diluted	15	<u>RMB(1.49)</u>	<u>RMB0.56</u>	<u>RMB1.37</u>



**APPENDIX I**

**ACCOUNTANTS’ REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	NOTES	As at 31 December		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
<b>Non-current Assets</b>				
Property, plant and equipment	16	47,334	669,320	626,752
Right-of-use assets	17	513,841	727,135	717,699
Intangible assets	18	1,801	1,274	778
Investments accounted for using the equity method	19	102,918	97,805	74,950
Financial assets at fair value through profit or loss (“FVTPL”)	20	7,620	8,619	9,075
Equity instruments at FVTOCI	21	243,031	185,713	198,207
Deferred tax assets	22	385,743	395,908	296,881
Deposit for acquisition of assets through acquisition of a subsidiary	36(b)	67,495	—	3,541
Finance lease receivables	23	10,416	85,619	74,319
Pledged bank deposits	24	50,000	51,229	—
Deposit for acquisition of property, plant and equipment		17,380	3,862	19,529
Bank deposit with original maturity over three months	24	—	—	10,000
<b>Total Non-current Assets</b>		<u>1,447,579</u>	<u>2,226,484</u>	<u>2,031,731</u>
<b>Current Assets</b>				
Inventories	25	1,379,842	1,026,602	1,045,848
Trade receivables	26	468,739	467,450	807,469
Contract assets		7,536	4,223	7,322
Prepayments and other receivables	27	212,934	227,536	287,676
Financial assets at FVTPL	20	191,431	70,447	10,000
Finance lease receivables	23	12,872	22,943	12,752
Pledged/restricted bank deposits	24	204,883	269,395	164,891
Cash and cash equivalents	24	533,202	642,864	809,838
<b>Total Current Assets</b>		<u>3,011,439</u>	<u>2,731,460</u>	<u>3,145,796</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

	NOTES	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Current Liabilities</b>				
Trade and other payables	28	1,231,916	1,049,347	1,159,004
Amount due to a non-controlling shareholder	29(a)	60,191	1,123	1,123
Tax payable		81,073	25,392	32,791
Bank borrowings	30	542,483	488,365	386,595
Lease liabilities	31	91,690	139,268	155,363
Contract liabilities	32	55,008	61,945	48,199
Refund liabilities	33	20,811	21,950	20,797
Convertible loan notes	34	390,572	416,981	—
<b>Total Current Liabilities</b>		<u>2,473,744</u>	<u>2,204,371</u>	<u>1,803,872</u>
<b>Net Current Assets</b>		<u>537,695</u>	<u>527,089</u>	<u>1,341,924</u>
<b>Total Assets less Current Liabilities</b>		<u>1,985,274</u>	<u>2,753,573</u>	<u>3,373,655</u>
<b>Non-current Liabilities</b>				
Bank borrowings	30	—	129,025	276,598
Lease liabilities	31	426,425	699,830	677,890
Contractual liabilities under issued written put option		40,000	43,200	46,400
Other payables	28	—	100,000	100,000
<b>Total Non-current Liabilities</b>		<u>466,425</u>	<u>972,055</u>	<u>1,100,888</u>
<b>Net Assets</b>		<u>1,518,849</u>	<u>1,781,518</u>	<u>2,272,767</u>
<b>Capital and Reserves</b>				
Share capital	35a	390,054	390,054	386,865
Reserves		<u>1,116,544</u>	<u>1,372,458</u>	<u>1,875,329</u>
Equity attributable to owners of the Company		<u>1,506,598</u>	<u>1,762,512</u>	<u>2,262,194</u>
Non-controlling interests		<u>12,251</u>	<u>19,006</u>	<u>10,573</u>
<b>Total Equity</b>		<u>1,518,849</u>	<u>1,781,518</u>	<u>2,272,767</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	NOTES	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Non-current Assets</b>				
Property, plant and equipment	16	23,762	34,126	27,823
Right-of-use assets	17	55,049	44,827	36,466
Intangible assets	18	1,801	1,274	778
Investments in subsidiaries	43	62,917	678,017	686,027
Investments accounted for using the equity method	19	41,221	43,665	65,759
Equity instruments at FVTOCI	21	38,160	28,990	48,641
Deferred tax assets	22	3,999	8,265	20,851
Deposit for acquisition of assets through acquisition of a subsidiary	36(b)	67,495	—	—
Deposit for acquisition of property, plant and equipment		16,956	3,399	6,261
Pledged bank deposits	24	50,000	51,229	—
Bank deposit with original maturity over three months	24	—	—	10,000
<b>Total Non-current Assets</b>		<b>361,360</b>	<b>893,792</b>	<b>902,606</b>
<b>Current Assets</b>				
Inventories	25	62,325	63,736	7,166
Trade receivables	26	2,463,386	1,929,309	2,260,822
Prepayments and other receivables	27	102,496	124,609	108,031
Amounts due from subsidiaries	29(b)	512,902	758,160	502,268
Financial assets at FVTPL	20	191,431	70,447	10,000
Pledged/restricted bank deposits	24	139,192	219,185	123,797
Cash and cash equivalents	24	194,136	199,334	293,484
<b>Total Current Assets</b>		<b>3,665,868</b>	<b>3,364,780</b>	<b>3,305,568</b>

**APPENDIX I**

**ACCOUNTANTS' REPORT ON  
HISTORICAL FINANCIAL INFORMATION**

	NOTES	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Current Liabilities</b>				
Trade and other payables	28	369,630	458,994	333,519
Amount due to a non-controlling shareholder	29(a)	60,191	1,123	1,123
Amount due to subsidiaries	29(b)	169,670	36,693	579,271
Tax payable		40,703	5,094	3,911
Bank borrowings	30	426,778	444,867	278,009
Lease liabilities	31	5,418	2,930	1,413
Contract liabilities	32	333	687	375
Convertible loan notes	34	390,572	416,981	—
<b>Total Current Liabilities</b>		<u>1,463,295</u>	<u>1,367,369</u>	<u>1,197,621</u>
<b>Net Current Assets</b>		<u>2,202,573</u>	<u>1,997,411</u>	<u>2,107,947</u>
<b>Total Assets less Current Liabilities</b>		<u>2,563,933</u>	<u>2,891,203</u>	<u>3,010,553</u>
<b>Non-current Liabilities</b>				
Bank borrowings	30	—	129,025	276,598
Lease liabilities	31	6,368	3,432	2,804
Contractual liabilities under issued written put option		40,000	43,200	46,400
Other payables	28	—	100,000	100,000
<b>Total Non-current Liabilities</b>		<u>46,368</u>	<u>275,657</u>	<u>425,802</u>
<b>Net Assets</b>		<u>2,517,565</u>	<u>2,615,546</u>	<u>2,584,751</u>
<b>Capital and Reserves</b>				
Share capital	35(a)	390,054	390,054	386,865
Reserves	35(b)	2,127,511	2,225,492	2,197,886
<b>Total Equity</b>		<u>2,517,565</u>	<u>2,615,546</u>	<u>2,584,751</u>

APPENDIX I

ACCOUNTANTS’ REPORT ON  
HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non- controlling interests	Total
	Share capital	Share premium	FVTOCI reserve	Other reserve	Translation reserve	Statutory reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2021	388,500	655,156	35,746	(175)	(630)	118,150	829,023	2,025,770	4,779	2,030,549
Loss for the year	—	—	—	—	—	—	(580,797)	(580,797)	(9,082)	(589,879)
Fair value change on investments in equity instruments at FVTOCI	—	—	149,116	—	—	—	—	149,116	—	149,116
Share of other comprehensive expense of investments accounted for using the equity method, net of tax	—	—	(90,083)	—	(163)	—	—	(90,246)	—	(90,246)
Exchange differences arising on translation of foreign operations	—	—	—	—	458	—	—	458	(283)	175
Total comprehensive income (expense) for the year	—	—	59,033	—	295	—	(580,797)	(521,469)	(9,365)	(530,834)
Issue of shares (Note 35(a) and Note b)	1,554	38,446	—	—	—	—	—	40,000	—	40,000
Issue of written put option (Note b)	—	—	—	(40,000)	—	—	—	(40,000)	—	(40,000)
Appropriation	—	—	—	—	—	47,740	(47,740)	—	—	—
Disposal of partial equity interest in a subsidiary without losing control (Note 43b)	—	—	—	2,297	—	—	—	2,297	14,337	16,634
Release upon disposal of equity instruments at FVTOCI	—	—	(100,950)	—	—	—	100,950	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	2,500	2,500
At 31 December 2021	390,054	693,602	(6,171)	(37,878)	(335)	165,890	301,436	1,506,598	12,251	1,518,849
Profit for the year	—	—	—	—	—	—	219,054	219,054	4,115	223,169
Fair value change on investments in equity instruments at FVTOCI	—	—	(38,125)	—	—	—	—	(38,125)	—	(38,125)
Share of other comprehensive (expense) income of investments accounted for using the equity method, net of tax	—	—	(65)	—	1,387	—	—	1,322	—	1,322
Exchange differences arising on translation of foreign operations	—	—	—	—	1,441	—	—	1,441	2,458	3,899
Total comprehensive (expense) income for the year	—	—	(38,190)	—	2,828	—	219,054	183,692	6,573	190,265
Appropriation	—	—	—	—	—	11,229	(11,229)	—	—	—
Disposal of partial equity interest in a subsidiary without losing control (Note 43(c))	—	—	—	72,222	—	—	—	72,222	(1,302)	70,920
Acquisition of a subsidiary (Note 36(a))	—	—	—	—	—	—	—	—	1,484	1,484

APPENDIX I

ACCOUNTANTS’ REPORT ON  
HISTORICAL FINANCIAL INFORMATION

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	FVTOCI reserve	Other reserve	Translation reserve	Statutory reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	390,054	693,602	(44,361)	34,344	2,493	177,119	509,261	1,762,512	19,006	1,781,518
Profit (loss) for the year	—	—	—	—	—	—	532,010	532,010	(11,909)	520,101
Fair value change on investments in equity instruments at FVTOCI	—	—	8,037	—	—	—	—	8,037	—	8,037
Share of other comprehensive income of investments accounted for using the equity method, net of tax	—	—	—	—	380	—	—	380	—	380
Exchange differences arising on translation of foreign operations	—	—	—	—	134	—	—	134	486	620
Total comprehensive income (expense) for the year	—	—	8,037	—	514	—	532,010	540,561	(11,423)	529,138
Appropriation	—	—	—	—	—	452	(452)	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	2,990	2,990
Repurchase and cancellation of shares (Note 35(a))	(3,189)	(37,690)	—	—	—	—	—	(40,879)	—	(40,879)
As at 31 December 2023	<u>386,865</u>	<u>655,912</u>	<u>(36,324)</u>	<u>34,344</u>	<u>3,007</u>	<u>177,571</u>	<u>1,040,819</u>	<u>2,262,194</u>	<u>10,573</u>	<u>2,272,767</u>

Notes:

- It represents the statutory reserve of certain entities comprising the Group in the People’s Republic of China (the “PRC”). Pursuant to applicable PRC regulations, the PRC entities comprising the Group is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the entities comprising the Group.
- During the year ended 31 December 2021, the Company issued 1,554,000 domestic shares with par value of RMB1 each to an independent third party at a consideration of RMB40,000,000. Pursuant to the shareholders’ agreement, the shareholder has a written put option to require the Company to repurchase these shares unconditionally at a consideration of RMB40,000,000 plus 8% coupon rate per annum if the Company is unable to meet certain specified conditions under the agreed timeframe by 2025. Since such written put option creates contractual obligation that the Company does not have unconditional ability to avoid, a financial liability has been recognised at initial recognition at present value of the redemption amount and the corresponding amount has been debited to other reserve.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before tax	(734,459)	232,002	639,908
Adjustments for:			
Finance costs	30,931	72,353	90,722
Bank interest income	(4,188)	(8,201)	(22,096)
Interest income on finance lease receivables	(1,657)	(1,350)	(4,222)
Share of results of investments accounted for using the equity method	11,125	7,327	(4,875)
Depreciation of property, plant and equipment	9,751	32,929	58,200
Depreciation of right-of-use assets	63,543	122,412	146,160
Amortisation of intangible assets	541	527	496
Impairment losses recognised under ECL, net of reversal	45,832	2,472	48,854
Impairment losses on goodwill	—	10,863	—
Impairment loss on investment accounted for using the equity method	—	—	5,157
Write-down of inventories	984,385	11,744	17,855
Loss (gain) on disposal of property, plant and equipment	191	(193)	431
Gain on sublease	—	(7,486)	—
Loss (gain) on changes in fair value of convertible loan notes	3,935	3,304	(7,239)
Gain on changes in fair value of other financial assets at FVTPL	(91)	(1,446)	(9)
Interest income on structured deposits at FVTPL	(13,136)	(5,039)	(2,675)
(Gain) loss on partial disposal of an investments accounted for using the equity method	(319,232)	—	6,191
Gain on deemed partial disposal of investments accounted for using the equity method	(8,927)	—	—
Operating cash flows before movements in working capital	68,544	472,218	972,858
(Increase) decrease in inventories	(419,181)	348,687	(37,101)
(Increase) decrease in trade receivables	(150,716)	22,334	(377,080)
(Increase) decrease in contract assets	(7,536)	3,313	(3,099)
(Increase) decrease in prepayments and other receivables	(3,713)	47,135	(69,693)
Decrease in finance lease receivables	14,276	14,803	25,713
(Decrease) increase in trade and other payables	(525,569)	(233,521)	104,966
(Decrease) increase in contract liabilities	(25,249)	6,937	(13,746)
(Decrease) increase in refund liabilities	(33,038)	1,139	(1,153)
Cash (used in) generated from operations	(1,082,182)	683,045	601,665
Income tax paid	(110,456)	(73,250)	(15,305)
<b>Net cash (used in) from operating activities</b>	<b>(1,192,638)</b>	<b>609,795</b>	<b>586,360</b>

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	NOTES	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>				
Interest received		15,633	14,930	24,771
Dividend received		—	808	1,680
Proceeds on disposal of partial interest in investments accounted for using the equity method	19	351,395	—	—
Proceeds on disposal of investments accounted for using the equity method	19	—	—	21,191
Proceeds from disposal of				
— financial assets at FVTPL		2,555,416	1,840,139	70,447
— equity instruments at FVTOCI		120,907	20,826	—
Proceeds on disposal of property, plant and equipment		318	4,453	1,890
Acquisition of/additional investment accounted for using the equity method		(100,300)	(1,700)	(6,109)
Purchases of				
— financial assets at FVTPL		(2,328,844)	(1,720,398)	(10,447)
— equity instruments at FVTOCI		(124,740)	(3,063)	(2,650)
Purchases of property, plant and equipment		(29,755)	(33,600)	(32,324)
Upfront payments for right-for-use assets		(32,200)	—	—
Deposit for acquisition of assets through acquisition of a subsidiary		(30,000)	—	(3,541)
Purchases of intangible assets		(481)	—	—
Net cash outflow on acquisition of subsidiaries	36	—	(430,321)	—
Placement of bank deposit with original maturity over three months		—	—	(10,000)
Placement of pledged/restricted bank deposits		(254,883)	(320,624)	(164,891)
Withdrawal of pledged/restricted bank deposits		96,697	254,883	320,624
<b>Net cash from (used in) investing activities</b>		<b>239,163</b>	<b>(373,667)</b>	<b>210,641</b>
<b>FINANCING ACTIVITIES</b>				
New bank borrowings raised		1,594,369	1,403,698	936,973
Proceeds on issue of convertible loan notes		380,000	—	—
Advance from (repayment to) a non-controlling shareholder		60,000	(60,000)	—
Proceeds from issue of shares	35(a)	40,000	—	—
Proceeds on disposal of partial equity interest in a subsidiary without losing control		16,634	—	—
Contribution from non-controlling interests		2,500	—	2,990
Repayments of bank borrowings		(1,239,274)	(1,329,169)	(891,170)
Repayments of lease liabilities		(65,836)	(98,864)	(143,093)
Repayments of convertible loan notes and related interests		—	(6,000)	(430,536)
Interest paid		(23,114)	(38,738)	(66,728)
Repurchase of shares	35(a)	—	—	(40,879)
<b>Net cash from (used in) financing activities</b>		<b>765,279</b>	<b>(129,073)</b>	<b>(632,443)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(188,196)</b>	<b>107,055</b>	<b>164,558</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>718,522</b>	<b>533,202</b>	<b>642,864</b>
<b>Effects of foreign exchange rate changes</b>		<b>2,876</b>	<b>2,607</b>	<b>2,416</b>
<b>Cash and cash equivalents at end of the year</b>		<b>533,202</b>	<b>642,864</b>	<b>809,838</b>



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## ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. GENERAL INFORMATION

AuGroup Technology Co., Ltd. was incorporated in the PRC as a joint stock company with limited liability. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed “Corporate Information” of the Document.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

[The financial statements of the Company for the years ended 31 December 2021 and 2022 prepared in accordance with the relevant accounting principles and regulations in the PRC were audited by DaHua CPAs LLP Shenzhen Branch which was the certified public accountants registered in the PRC.]

#### 2. APPLICATION OF AMENDMENTS TO IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with International Accounting Standards (“IASs”), IFRS, amendments to IFRSs and the related interpretations issued by the IASB which are effective for the accounting period beginning on 1 January [2024] throughout the Track Record Period.

##### Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company (the “Directors”) anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

#### 3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

##### 3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* (“IFRS 2”), leasing transactions that are accounted for in accordance with IFRS 16 *Leases* (“IFRS 16”), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* (“IAS 36”).

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### 3.2 Material accounting policy information

#### *Basis of consolidation*

The Historical Financial Information incorporates the financial statements of the Company, entities held on trust by employees and held on behalf of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it the power, including rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Historical Financial Information from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### *Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### *Business combinations or asset acquisitions*

##### *Optional concentration test*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

##### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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### *Business combinations*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* ("IAS 12") and IAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

### *Investments accounted for using the equity method*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

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### *Changes in the Group's interests in associates*

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

### *Acquisition of additional interests in associates*

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

### *Sale with a right of return/exchange*

For a sale of products with a right of return, the Group recognises all of the following:

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);
- (b) a refund liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

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### *Leases*

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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### *Taxation*

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group applies IAS 12 *Income Tax* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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### *Financial assets*

#### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

#### (iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned or interest earned on the financial asset and is included in the "other gains or losses" line item.

#### Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant increase in credit risk or credit-impaired, and collectively for the remaining balances of debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as: significant financial difficulty of the issuer or the borrower and a breach of contract, such as a default or past due event.

### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.



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For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

### *Financial liabilities and equity*

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### Convertible loan notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value and the convertible loan notes are designated as at FVTPL. In subsequent period, changes in fair value are recognised in profit or loss as fair value gain or loss except for changes in the fair value that is attributable to changes in the credit risk (excluding changes in fair value of the derivatives component) is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to retained profits upon derecognition.

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Transaction costs relating to the issue of the convertible loan notes are charged to profit or loss immediately.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Deferred tax assets*

As at 31 December 2021, 2022 and 2023, the tax losses of RMB1,601,833,000, RMB1,902,928,000 and RMB1,448,744,000, has been recognised as deferral tax assets in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of RMB72,871,000, RMB102,888,000 and RMB107,685,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

#### *Fair value measurement of financial instruments*

As at 31 December 2021, 2022 and 2023, the Group's unlisted equity investments of RMB243,031,000, RMB165,380,000 and RMB177,229,000 and convertible loan notes of RMB390,572,000, RMB416,981,000 and nil are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 38 for further disclosures.

#### *Provision of ECL for trade receivables*

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 38.

#### *Net realisable value of inventories*

As at 31 December 2021, 2022 and 2023, the carrying amount of the Group's inventories is RMB1,379,842,000, RMB1,026,602,000 and RMB1,045,848,000, respectively. During the years ended 31 December 2021, 2022 and 2023, a write-down of inventories of RMB984,385,000, RMB11,744,000 and RMB17,855,000 was recognised in profit or loss, respectively.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgment on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

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### 5. REVENUE AND OPERATING SEGMENTS

#### (i) Disaggregation of revenue from contracts with customers

##### Types of goods or service

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Furniture and home furnishings	3,516,335	4,187,110	5,336,581
Electric tools and home appliances	2,349,475	1,109,622	783,930
Other products ( <i>Note</i> )	2,715,683	1,028,826	909,864
Logistic service	489,700	774,672	1,652,602
	<u>9,071,193</u>	<u>7,100,230</u>	<u>8,682,977</u>

*Note:* Other products include consumer electronics, sports and health and others.

##### Sales channels

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue from sales of goods			
— Through third party e-commerce platforms	8,233,426	5,878,049	6,656,918
— Through other channels ( <i>Note</i> )	348,067	447,509	373,457
Logistics revenue	489,700	774,672	1,652,602
Total	<u>9,071,193</u>	<u>7,100,230</u>	<u>8,682,977</u>

*Note:* Other channels mainly represent self-operated online stores and offline channels.

##### Geographical markets

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
PRC	448,962	727,195	1,530,219
United States	5,355,050	5,047,103	6,112,960
Other North American countries	196,101	92,812	88,399
Germany	841,588	404,058	293,125
Other European countries	1,934,906	660,099	480,719
Others	294,586	168,963	177,555
Total	<u>9,071,193</u>	<u>7,100,230</u>	<u>8,682,977</u>

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### Timing of revenue recognition

Revenue from contracts with customers within the scope of IFRS 15 recognised over time and recognised at a point in time is analysed as follows:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
— A point in time	8,581,493	6,325,558	7,030,375
— Over time	489,700	774,672	1,652,602
Total	9,071,193	7,100,230	8,682,977

### (ii) Performance obligations for contracts with customers

#### *Sales of goods*

The Group mainly sells its products to customers over third-party e-commerce platforms and other channels.

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of products provides customers with rights of return, it gives rise to variable consideration.

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

#### *Logistics revenue*

The Group derives revenue from provision of logistics services, including warehousing services, express and freight delivery services and related value-added services.

The Group recognises revenue based on the progress of the service performed within period, which is determined based on days spent to the estimated total days. As at the date of the end of each reporting period, the Group re-estimates the progress of the service performed to reflect the actual status of contract performance.

When the Group recognises revenue based on the progress of the service performed, the amount with unconditional right to consideration obtained by the Group is recognised as trade receivables, and the rest is recognised as contract assets. Meanwhile, provision for trade receivables and contract assets is recognised on the basis of expected credit losses. If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

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**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021, 2022 and 2023, and the expected timing of recognising revenue are as follows:

	2021		2022		2023	
	Sales of goods	Logistic services	Sales of goods	Logistic services	Sales of goods	Logistic services
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within one year	52,201	2,807	54,873	7,072	39,136	9,063

**(iv) Operating Segments**

Information reported to the Mr. Lu Haizhuan (“Mr. Lu”) and Mr. Ze Kuaiyue (“Mr. Ze”), executive directors and beneficial shareholders of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating and reportable segments under IFRS 8 are as follows:

1. Sales of goods
2. Logistics

The following is an analysis of the Group’s revenue and results by reportable segments:

**For the year ended 31 December 2021**

	Sales of goods	Logistic services	Eliminations	Consolidated
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Segment revenue	8,581,493	489,700	—	9,071,193
Inter-segment sales	—	614,837	(614,837)	—
Segment (loss) profit	8,581,493 (725,090)	1,104,537 110,963	(614,837) (8,153)	9,071,193 (622,280)
Share of results of investments accounted for using the equity method				(11,125)
Other income				20,399
Other gains and losses				360,472
Finance costs				(30,931)
Unallocated corporate expenses				(450,994)
Group’s loss before tax				(734,459)

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**For the year ended 31 December 2022**

	<u>Sales of goods</u>	<u>Logistic services</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	6,325,558	774,672	—	7,100,230
Inter-segment sales	—	675,848	(675,848)	—
	<u>6,325,558</u>	<u>1,450,520</u>	<u>(675,848)</u>	<u>7,100,230</u>
Segment profit	603,190	124,596	(5,838)	721,948
	<u>603,190</u>	<u>124,596</u>	<u>(5,838)</u>	<u>721,948</u>
Share of results of investments accounted for using the equity method				(7,327)
Other income				19,868
Other gains and losses				(21,697)
Finance costs				(72,353)
Unallocated corporate expenses				(408,437)
				<u>232,002</u>
Group's profit before tax				<u>232,002</u>

**For the year ended 31 December 2023**

	<u>Sales of goods</u>	<u>Logistic services</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	7,030,375	1,652,602	—	8,682,977
Inter-segment sales	—	764,348	(764,348)	—
	<u>7,030,375</u>	<u>2,416,950</u>	<u>(764,348)</u>	<u>8,682,977</u>
Segment profit	970,841	195,714	(3,484)	1,163,071
	<u>970,841</u>	<u>195,714</u>	<u>(3,484)</u>	<u>1,163,071</u>
Share of results of investments accounted for using the equity method				4,875
Other income				42,320
Other gains and losses				12,432
Finance costs				(90,722)
Unallocated corporate expenses				(492,068)
				<u>639,908</u>
Group's profit before tax				<u>639,908</u>

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### *Geographical information*

The details of the Group's revenue from external customers by geographical location of the operations are set out in Note 5(i).

The Group's non-current assets, excluding financial instruments and deferred tax assets by geographical location of assets and details are below:

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	271,822	790,165	764,002
United States	385,604	623,255	604,017
Germany	93,343	85,976	75,230
	<u>750,769</u>	<u>1,499,396</u>	<u>1,443,249</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit earned by each segment without allocation of central administration costs, finance costs, directors' emoluments, share of results of investments accounted for using the equity method, other gains and losses, other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset, segment liability and other segment information is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

### *Information of major customers*

There is no individual customer whose revenue has exceeded 10% of the Group's total revenue during the Track Record Period.

## 6. OTHER INCOME

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	4,188	8,201	22,096
Government grants	14,554	10,317	16,002
Interest income on finance lease receivables	1,657	1,350	4,222
	<u>20,399</u>	<u>19,868</u>	<u>42,320</u>

Government grants mainly represented the government subsidies received from the local governments in the PRC to support the research, development, designs activities and e-commerce operation development of the Group. There are no unfulfilled conditions relating to these grants.

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### 7. IMPAIRMENT LOSSES UNDER ECL, NET OF REVERSAL

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Impairment losses recognised (reversed) on:			
— trade receivables	30,580	(9,903)	38,497
— other receivables	15,252	12,375	10,357
	45,832	2,472	48,854

Details of impairment assessment are set out in Note 38.

### 8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Impairment loss on goodwill	—	(10,863)	—
Gain (loss) on partial disposal of investments accounted for using the equity method (Note 19)	319,232	—	(6,191)
Gain on deemed partial disposal of investments accounted for using the equity method	8,927	—	—
(Loss) gain on disposal of property, plant and equipment	(191)	193	(431)
Gain on sublease	—	7,486	—
Foreign exchange gains (losses), net	23,212	(21,694)	14,288
Interest income on structured deposits at FVTPL	13,136	5,039	2,675
Gain on changes in fair value of other financial assets at FVTPL	91	1,446	9
(Loss) gain on changes in fair value of convertible loan notes	(3,935)	(3,304)	7,239
Impairment loss on investment accounted for using the equity method	—	—	(5,157)
	360,472	(21,697)	12,432

### 9. FINANCE COSTS

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on bank loans	8,315	14,760	25,508
Interest on lease liabilities	15,788	24,356	41,220
Interest on convertible loan notes	6,637	29,105	20,794
Interest on amount due to a non-controlling shareholder	191	932	—
Interest on issued written put options	—	3,200	3,200
	30,931	72,353	90,722



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### 10. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current tax:			
Hong Kong	4,300	2,505	—
PRC Enterprise Income Tax	131,460	11,802	2,565
United States	5,859	3,104	22,728
(Over) under provision in prior years:			
Hong Kong	(1,135)	—	(1,562)
PRC Enterprise Income Tax	(288)	—	(1,186)
United States	—	—	—
Deferred tax ( <i>Note 22</i> )	(284,776)	(8,578)	97,262
Income tax (credit) expense	(144,580)	8,833	119,807

#### Hong Kong

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits throughout the Track Record Period.

#### PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period, except for disclosed below.

The Company has been recognised as the High New Tech Enterprises from 2019 to 2024. Shenzhen Aukeyhi Technology Co., Ltd. has been recognised as the High New Tech Enterprises from 2021 to 2023. According to the “EIT Law” for High New Tech Enterprises, these companies are subject to a reduced Enterprise Income Tax rate of 15% during the Track Record Period.

During the Track Record Period, several subsidiaries in PRC were qualified as small and micro enterprises under the PRC Enterprise Income Tax regime, which enjoyed a enterprise income tax rate of 2.5%-10%.

#### United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% federal corporate income tax rate and other relevant states tax rate of 8.84% has been provided on the taxable income arising in the United States throughout the Track Record Period.

#### Others

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax (credit) expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
(Loss) profit before tax	(734,459)	232,002	639,908
Tax at the domestic income tax rate of 15%	(110,169)	34,800	95,986
Tax effect of share of results of investments accounted for using the equity method	1,669	1,099	(731)
Tax effect of expenses not deductible for tax purpose	298	288	168
Tax effect of income not taxable for tax purpose	(1,339)	—	—

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	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Over provision in respect of prior years	(1,423)	—	(2,748)
Tax effect of tax losses not recognised	2,626	4,747	9,048
Utilisation of tax losses previously not recognised	—	(244)	(8,328)
Tax benefit for qualifying research and development expenses ( <i>Note</i> )	(19,769)	(14,794)	(12,806)
Income tax at concessionary rate	(727)	(464)	(159)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(15,746)	(16,599)	39,377
	<u>(144,580)</u>	<u>8,833</u>	<u>119,807</u>
Income tax (credit) expense	<u>(144,580)</u>	<u>8,833</u>	<u>119,807</u>

*Note:* In accordance with the relevant laws and regulations issued by the State Administration of Taxation of the PRC (“SAT”), enterprises engage in research and development activities were entitled to an additional deduction of 175% of the research and development expenses incurred as deductible expenses during the year when determining their taxable profits (“weighted deduction”). The SAT announced to increase the weighted deduction rate to 200% with effect from 1 October 2022. Accordingly, the Group adopted the weighted deduction rate of 175% from 1 January 2021 to 30 September 2022 and 200% from 1 October 2022 to 31 December 2023. In determining the taxable profits for the year, the Group has made the best estimate of the entitled weighted deduction.

**11. (LOSS) PROFIT FOR THE YEAR**

(Loss) profit for the year has been arrived at after charging:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Loss) profit for the year after charging the following items:			
Depreciation and amortisation of property and equipment, right-of use assets and intangible assets	73,835	155,868	204,856
Auditor’s remuneration	2,577	1,772	1,070
Employee benefits expenses	477,448	405,836	450,189
Write-down of inventories included in cost of sales	984,385	11,744	17,855
Cost of inventories recognised as an expense excluding write-down of inventories	<u>5,813,210</u>	<u>3,972,932</u>	<u>4,259,566</u>

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### 12. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors, chief executive officer (“CEO”) and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Salaries and other allowances	Discretionary bonus ( <i>Note</i> )	Contributions to retirement benefit plan	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2021				
<b>Executive directors:</b>				
Mr. Lu, (“CEO”)	1,187	—	12	1,199
Mr. Ze	1,072	—	11	1,083
Ms. Zhuang Liyan (“Ms. Zhuang”)	562	—	—	562
<b>Non-executive directors:</b>				
Ms. Zou Jijia (“Ms. Zou”)	—	—	—	—
Mr. Wu Fei (“Mr. Wu”), resigned on 10 October 2023	—	—	—	—
Mr. Lu Songdu	—	—	—	—
<b>Independent Non-executive directors:</b>				
Ms. Meng Rongfang (“Ms. Meng”)	84	—	—	84
Mr. Xu Jinke (“Mr. Xu”)	84	—	—	84
Mr. Dongfang Hao (“Mr. Dongfang”), resigned on 10 October 2023	84	—	—	84
<b>Supervisors:</b>				
Ms. Zhang Li (“Ms. Zhang”)	542	—	27	569
Ms. Hua Xiang (“Ms. Hua”)	—	—	—	—
Ms. Mao Xia (“Ms. Mao ”), resigned on 30 June 2022	296	—	8	304
	<u>3,911</u>	<u>—</u>	<u>58</u>	<u>3,969</u>
Year ended 31 December 2022				
<b>Executive directors:</b>				
Mr. Lu, (“CEO”)	1,191	255	12	1,458
Mr. Ze	1,074	255	11	1,340
Ms. Zhuang	666	—	—	666
<b>Non-executive directors:</b>				
Ms. Zou	—	—	—	—
Mr. Wu, resigned on 10 October 2023	—	—	—	—
Mr. Lu Songdu	—	—	—	—
<b>Independent Non-executive directors:</b>				
Ms. Meng	84	—	—	84
Mr. Xu	84	—	—	84
Mr. Dongfang, resigned on 10 October 2023	84	—	—	84
<b>Supervisors:</b>				
Ms. Zhang	573	—	40	613
Ms. Hua	—	—	—	—
Ms. Liu Meixia (“Ms. Liu”), appointed on 30 June 2022	237	—	7	244
Ms. Mao, resigned on 30 June 2022	179	—	9	188
	<u>4,172</u>	<u>510</u>	<u>79</u>	<u>4,761</u>

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	Salaries and other allowances	Discretionary bonus <i>(Note)</i>	Contributions to retirement benefit plan	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2023				
<b>Executive directors:</b>				
Mr. Lu, (“CEO”)	1,194	85	12	1,291
Mr. Ze	1,076	85	11	1,172
Ms. Zhuang	1,202	50	—	1,252
<b>Non-executive directors:</b>				
Ms. Zou	—	—	—	—
Mr. Jin Hao, appointed on 10 October 2023	—	—	—	—
Mr. Wu, resigned on 10 October 2023	—	—	—	—
Mr. Lu Songdu	—	—	—	—
<b>Independent Non-executive directors:</b>				
Ms. Meng	84	—	—	84
Mr. Xu	84	—	—	84
Mr. Chen Xiaohuan, appointed on 10 October 2023	21	—	—	21
Mr. Dongfang, resigned on 10 October 2023	70	—	—	70
<b>Supervisors:</b>				
Ms. Zhang	877	—	46	923
Ms. Hua	—	—	—	—
Ms. Liu	473	—	7	480
	<u>5,081</u>	<u>220</u>	<u>76</u>	<u>5,377</u>

The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors’, independent non-executive directors’ and supervisors’ emoluments shown above were for their services as directors/supervisors of the Company.

*Note:* The discretionary bonus is determined by the directors of the Company based on the performance of the directors of the Company and the Group.

During the Track Record Period, none of the Directors and CEO of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the Directors or CEO or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13. EMPLOYEES’ EMOLUMENTS

There are no directors or CEO among the five highest paid employees of the Group during each of the years ended 31 December 2021, 2022 and 2023. Details of the remuneration for the five highest paid employees during each of the years ended 31 December 2021, 2022 and 2023, are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	4,566	3,650	7,670
Performance related bonuses <i>(Note)</i>	21,625	17,539	38,372
Retirement benefits	170	118	118
	<u>26,361</u>	<u>21,307</u>	<u>46,160</u>

*Note:* The performance related bonuses are determined by the directors of the Company based on the performance of the Company and the Group.

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The number of the highest paid employees of the Company whose remuneration fell within the following bands is as follows:

	Number of employees For the year ended 31 December		
	2021	2022	2023
— HK\$3,000,001 to HK\$3,500,000	—	3	—
— HK\$3,500,001 to HK\$4,000,000	2	—	—
— HK\$4,000,001 to HK\$4,500,000	—	1	—
— HK\$5,000,001 to HK\$5,500,000	1	—	—
— HK\$5,500,001 to HK\$6,000,000	—	—	1
— HK\$7,500,001 to HK\$8,000,000	—	—	1
— HK\$8,000,001 to HK\$8,500,000	1	—	—
— HK\$9,500,001 to HK\$10,000,000	—	1	—
— HK\$10,000,001 to HK\$10,500,000	1	—	—
— HK\$10,500,001 to HK\$11,000,000	—	—	1
— HK\$11,000,001 to HK\$11,500,000	—	—	1
— HK\$15,000,001 to HK\$15,500,000	—	—	1

**14. DIVIDENDS**

No dividend was paid or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

**15. (LOSS) EARNINGS PER SHARE**

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the year attributable to owners of the Company for basic and diluted (loss) earnings per share	(580,797)	219,054	532,010

**Number of shares**

	Year ended 31 December		
	2021	2022	2023
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ( <i>Note</i> )	388,500,000	388,500,000	388,194,226

*Note:* A total of 1,554,000 domestic shares with a written put option requiring the Company to repurchase these Shares unconditionally are not included from the total number of shares in issue for the purpose of calculating basic earnings per share.

The computation of diluted (loss) earnings per share does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share/increase in earnings per share.

In respect of the written put option requiring the Company to repurchase the shares of the Company, it did not have significant dilutive effect on earnings per share calculation throughout the Track Record Period.

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**16. PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	<b>Leasehold land and buildings</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Electronic equipment</b>	<b>Leasehold improvement and others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>						
At 1 January 2021	—	10,092	5,594	21,219	14,568	51,473
Exchange adjustments	—	(83)	(21)	(192)	—	(296)
Additions	—	2,139	2,372	18,313	6,611	29,435
Disposals	—	(109)	(233)	(1,072)	—	(1,414)
At 31 December 2021	—	12,039	7,712	38,268	21,179	79,198
Exchange adjustments	—	970	191	1,528	194	2,883
Additions	—	10,611	5,121	9,808	21,578	47,118
Acquired on acquisition of a subsidiary (Note 36 (a) & (b))	609,966	27	44	107	—	610,144
Disposals	—	(410)	(2,975)	(3,434)	—	(6,819)
At 31 December 2022	609,966	23,237	10,093	46,277	42,951	732,524
Exchange adjustments	—	587	64	990	68	1,709
Additions	—	4,592	3,320	4,310	4,435	16,657
Disposals	—	(800)	(1,933)	(1,302)	—	(4,035)
At 31 December 2023	609,966	27,616	11,544	50,275	47,454	746,855
<b>DEPRECIATION</b>						
At 1 January 2021	—	3,609	2,158	7,037	10,597	23,401
Exchange adjustments	—	(155)	(4)	(224)	—	(383)
Provided for the year	—	1,824	987	4,820	2,120	9,751
Eliminated on disposals	—	(104)	(155)	(646)	—	(905)
At 31 December 2021	—	5,174	2,986	10,987	12,717	31,864
Exchange adjustments	—	329	94	547	—	970
Provided for the year	14,235	3,084	2,098	8,300	5,212	32,929
Eliminated on disposals	—	(75)	(890)	(1,594)	—	(2,559)
At 31 December 2022	14,235	8,512	4,288	18,240	17,929	63,204
Exchange adjustments	—	127	7	279	—	413
Provided for the year	34,166	4,415	747	9,489	9,383	58,200
Eliminated on disposals	—	(410)	(438)	(866)	—	(1,714)
At 31 December 2023	48,401	12,644	4,604	27,142	27,312	120,103
<b>CARRYING VALUES</b>						
At 31 December 2021	—	6,865	4,726	27,281	8,462	47,334
At 31 December 2022	595,731	14,725	5,805	28,037	25,022	669,320
At 31 December 2023	561,565	14,972	6,940	23,133	20,142	626,752

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	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Electronic equipment</b>	<b>Leasehold improvement and others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>					
At 1 January 2021	4,529	5,127	12,628	14,568	36,852
Additions	605	713	6,321	3,697	11,336
Disposals	(109)	(141)	(865)	—	(1,115)
At 31 December 2021	5,025	5,699	18,084	18,265	47,073
Additions	1,346	1,946	1,249	16,575	21,116
Disposals	—	(2,428)	(3,177)	—	(5,605)
At 31 December 2022	6,371	5,217	16,156	34,840	62,584
Additions	1,219	2,021	1,322	750	5,312
Disposals	(397)	(1,476)	(539)	—	(2,412)
At 31 December 2023	7,193	5,762	16,939	35,590	65,484
<b>DEPRECIATION</b>					
At 1 January 2021	1,732	1,985	4,019	10,597	18,333
Provided for the year	758	801	2,701	1,405	5,665
Eliminated on disposals	(104)	(91)	(492)	—	(687)
At 31 December 2021	2,386	2,695	6,228	12,002	23,311
Provided for the year	777	868	3,033	2,667	7,345
Eliminated on disposals	—	(786)	(1,412)	—	(2,198)
At 31 December 2022	3,163	2,777	7,849	14,669	28,458
Provided for the year	1,233	139	3,737	4,948	10,057
Eliminated on disposals	(195)	(436)	(223)	—	(854)
At 31 December 2023	4,201	2,480	11,363	19,617	37,661
<b>CARRYING VALUES</b>					
At 31 December 2021	<u>2,639</u>	<u>3,004</u>	<u>11,856</u>	<u>6,263</u>	<u>23,762</u>
At 31 December 2022	<u>3,208</u>	<u>2,440</u>	<u>8,307</u>	<u>20,171</u>	<u>34,126</u>
At 31 December 2023	<u>2,992</u>	<u>3,282</u>	<u>5,576</u>	<u>15,973</u>	<u>27,823</u>

The Group's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the lease term or 5%
Motor vehicles	20%
Office equipment	20%
Electronic equipment	20%
Leasehold improvement and others	Over the shorter of the lease term, or 10% to 20%

The Group has pledged owned properties with carrying amount of nil, RMB595,731,000 and RMB561,565,000 to secure general banking facilities of the Group as at 31 December 2021, 2022 and 2023, respectively.

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**17. RIGHT-OF-USE ASSETS**

**The Group**

	<b>Leasehold lands</b>	<b>Buildings</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2021</b>			
Carrying amount	32,111	481,730	513,841
<b>At 31 December 2022</b>			
Carrying amount	31,976	695,159	727,135
<b>At 31 December 2023</b>			
Carrying amount	30,871	686,828	717,699
<b>Year ended 31 December 2021</b>			
Depreciation charge	89	63,454	63,543
<b>Year ended 31 December 2022</b>			
Depreciation charge	1,101	121,311	122,412
<b>Year ended 31 December 2023</b>			
Depreciation charge	1,105	145,055	146,160

**The Company**

	<b>Leasehold lands</b>	<b>Buildings</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2021</b>			
Carrying amount	32,111	22,938	55,049
<b>At 31 December 2022</b>			
Carrying amount	31,976	12,851	44,827
<b>At 31 December 2023</b>			
Carrying amount	30,871	5,595	36,466
<b>Year ended 31 December 2021</b>			
Depreciation charge	89	6,844	6,933
<b>Year ended 31 December 2022</b>			
Depreciation charge	1,101	9,990	11,091
<b>Year ended 31 December 2023</b>			
Depreciation charge	1,105	7,917	9,022

**The Group**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	18,144	14,035	633
Total cash outflows for leases	131,968	137,255	184,946
Addition to right-of-use assets	449,603	393,044	118,891



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The Group leases various offices, staff quarters and warehouses for its operations. Lease terms are negotiated by the Group on an individual basis and contain a wide range of different terms and conditions. The terms are fixed with various period, from 12 months to 100 months. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for certain offices, staff quarters and warehouses. As at 31 December 2021, 2022 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Group has obtained the land use right certificates for all leasehold lands.

**18. INTANGIBLE ASSETS**

**The Group and the Company**

	<u>Software</u>
	<i>RMB'000</i>
<b>COST</b>	
At 1 January 2021	2,723
Additions	481
	<u>3,204</u>
At 31 December 2021, 2022 and 2023	3,204
<b>AMORTISATION</b>	
At 1 January 2021	862
Charge for the year	541
	<u>1,403</u>
At 31 December 2021	1,403
Charge for the year	527
	<u>1,930</u>
At 31 December 2022	1,930
Charge for the year	496
	<u>2,426</u>
At 31 December 2023	2,426
<b>CARRYING VALUES</b>	
At 31 December 2021	<u>1,801</u>
At 31 December 2022	<u>1,274</u>
At 31 December 2023	<u>778</u>

All of the Group's intangible assets having finite useful lives are amortised on a straight-line basis over five years.

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19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in associates	152,676	154,376	133,103	110,044	110,944	126,624
Share of post-acquisition results and other comprehensive expense, net of dividends received	(49,758)	(56,571)	(52,996)	(68,823)	(67,279)	(60,865)
Impairment losses recognised	102,918	97,805	80,107	41,221	43,665	65,759
	—	—	(5,157)	—	—	—
	102,918	97,805	74,950	41,221	43,665	65,759

Details of each of the Group’s investments accounted for using the equity method at the end of each reporting period are as follows:

The Group

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2021	2022	2023	2021	2022	2023	
Shenzhen Hanlv Trading Co., Ltd. (深圳漢旅商貿有限公司)	PRC	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	Operation of online stores on e-commerce platforms
Shenzhen Zbao Logistics Technology Co., Ltd. (深圳市眾包物流科技有限公司)	PRC	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%	Freight forwarding and logistics
Shenzhen Apeman Innovations Technology Co., Ltd. (深圳市猿人創新科技有限公司) (Note a)	PRC	10.47% (Note e)	10.47%	10.47%	10.47% (Note e)	10.47%	10.47%	Operation of online stores on e-commerce platforms
Ningbo Western Post Logistics Technology Co., Ltd. (寧波西郵物流科技有限公司)	PRC	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	Warehousing and logistics
Dongguan Sogoode Computer System Co., Ltd. (東莞搜谷計算機系統有限公司) (“Dongguan Sogoode”)	PRC	25.00%	25.00%	— (Note g)	25.00%	25.00%	— (Note g)	Operation of online stores on e-commerce platforms
Shenzhen Longgang Jinqiao Financial Leasing Co., Ltd. (深圳龍崗金橋融資租賃有限公司) (“Longgang Jinqiao”) (Note b)	PRC	7.45%	7.45%	— (Note h)	7.45%	7.45%	— (Note h)	Financing leasing
Shenzhen Leaderment Technology Co., Ltd. (深圳市理德銘科技股份有限公司 (previously known as 深圳市理德銘科技有限公司)) (Note c)	PRC	13.97%	13.97%	13.97%	13.97%	13.97%	13.97%	Operation of online stores on e-commerce platforms

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Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2021	2022	2023	2021	2022	2023	
Shenzhen Xiaosi Technology Co., Ltd. (深圳市小思科技有限公司) (Note c)	PRC	7.07% (Note f)	7.07%	7.07%	7.07% (Note f)	7.07%	7.07%	Operation of online stores on e-commerce platforms
Shenzhen Aukey Smart Information Technology Co., Ltd. (深圳市傲聲智能有限公司) (Note c)	PRC	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	Operation of online stores on e-commerce platforms
Shanghai Jianlong Information Technology Co., Ltd. (上海建隆信息技術有限公司)	PRC	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	Operation of online stores on e-commerce platforms
Xiamen Junior Management Consulting Partnership (Limited Partnership) (“Xiamen Junior”) (廈門少年智管理諮詢合夥企業(有限合夥)) (Note d)	PRC	96.77%	96.77%	96.77%	33.33%	33.33%	33.33%	Investment holding
LC Western Post Logi Confirmation (“LC Western Post”)	PRC	—	20% (Note i)	20%	—	20% (Note i)	20%	Freight forwarding and logistics
Ningbo Ruiao Intelligent Technology Co., Ltd. (寧波瑞微智慧科技有限公司) (“Ningbo Ruiao”)	PRC	—	—	30% (Note j)	—	—	30% (Note j)	Operation of online stores on e-commerce platforms

The Company

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Company			Proportion of voting rights held by the Company			Principal activities
		2021	2022	2023	2021	2022	2023	
Shenzhen Hanlv Trading Co., Ltd. (深圳漢旅商貿有限公司)	PRC	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	Operation of online stores on e-commerce platforms
Longgang Jinqiao (Note b)	PRC	7.45%	7.45%	—	7.45%	7.45%	—	Financing leasing
Shenzhen Leaderment Technology Co., Ltd. (深圳市理德銘科技股份有限公司 (previously known as 深圳市理德銘科技有限公司)) (Note c)	PRC	13.97%	13.97%	13.97%	13.97%	13.97%	13.97%	Operation of online stores on e-commerce platforms
Shenzhen Xiaosi Technology Co., Ltd. (深圳市小思科技有限公司) (Note c)	PRC	7.07% (Note f)	7.07%	7.07% (Note f)	7.07%	7.07%	7.07%	Operation of online stores on e-commerce platforms
Xiamen Junior (Note d)	PRC	96.77%	96.77%	96.77%	33.33%	33.33%	33.33%	Investment holding

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Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Company			Proportion of voting rights held by the Company			Principal activities
		2021	2022	2023	2021	2022	2023	
Shenzhen Apeman Innovations Technology Co., Ltd. (深圳市猿人創 新科技有限公司) (Note a)	PRC	—	—	7.30%	—	—	7.30%	Operation of online stores on e-commerce platforms
Shenzhen Zbao Logistics Technology Co., Ltd. (深圳市翠包物流科技有 限公司)	PRC	—	—	21.25%	—	—	21.25%	Operation of online stores on e-commerce platforms

Notes:

- (a) The Group is able to exercise significant influence over Shenzhen Apeman Innovations Technology Co., Ltd. because it has appointed one out of the seven directors of this associate under its articles of association.
- (b) The Group is able to exercise significant influence over Longgang Jinqiao because it has the power to appoint one out of the seven directors of this associate under its articles of association.
- (c) The Group is able to exercise significant influence over these companies because it has appointed one out of five directors under the articles of association of these companies.
- (d) The Group holds 96.77% of the issued share capital of Xiamen Junior. Under the partnership agreement and agreement of investment committee of Xiamen Junior, all the relevant activities of Xiamen Junior are decided and approved by two or more investment committee members. Since the Group has the power to appoint one out of the three investment committee members of Xiamen Junior, the Group does not have control over Xiamen Junior and considers Xiamen Junior as an associate with significant influence.
- (e) As at 1 January 2021, the Group held 19.35% equity interest in Shenzhen Apeman Innovations Technology Co., Ltd. and accounted for the investment as an associate. During the year ended 31 December 2021, the Group disposed of its 8.88% equity interest in Shenzhen Apeman Innovations Technology Co., Ltd. to independent third parties for cash proceeds of RMB325,000,000. This transaction has resulted in the recognition of a gain of RMB295,035,000 in profit or loss.
- (f) As at 1 January 2021, the Group held 17.10% equity interest in Shenzhen Xiaosi Technology Co., Ltd. and accounted for the investment as an associate. During the year ended 31 December 2021, the Group disposed of its 10.03% equity interest in Shenzhen Xiaosi Technology Co., Ltd. to independent third parties for cash proceeds of RMB26,395,000. This transaction has resulted in the recognition of a gain of RMB24,197,000 in profit or loss.
- (g) During the year ended 31 December 2023, the Group disposed its entire 25% equity interest in Dongguan Sogoode at a consideration of RMB5,000,000 and resulting in a loss on disposal of an associate amounting to RMB5,851,000. The share of results of Dongguan Sogoode during the year ended 31 December 2023 is insignificant.
- (h) During the year ended 31 December 2023, the Group disposed its entire 7.45% equity interest in Longgang Jinqiao at a consideration of RMB16,191,000 and resulting in a loss of disposal of an associate amounting to RMB340,000. The share of results of Longgang Jinqiao during the year ended 31 December 2023 is insignificant.
- (i) LC Western Post was newly invested by the Group during the year ended 31 December 2022.
- (j) Ningbo Ruiiao was newly invested by the Group during the year ended 31 December 2023.

**Summarised financial information of material associates**

Summarised financial information in respect of each of the Group’s material associates is described below. The summarised financial information represents amounts shown in the associate’s financial statements prepared in accordance with accounting policies of the Group.

All of these associates are accounted for using the equity method in the Historical Financial Information.

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**Shenzhen Zbao Logistics Technology Co., Ltd.**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	727,344	542,104	515,795
Profit for the year attributable to equity holders of the associate	54,369	26,691	9,256
Other comprehensive (expense) income for the year attributable to equity holders of the associate	(769)	6,524	1,786
Total comprehensive income for the year attributable to equity holders of the associate	53,600	33,215	11,042
Dividends received from the associate during the year	–	–	216
Current assets	116,618	185,637	279,855
Non-current assets	406	1,402	1,131
Current liabilities	8,375	44,631	125,656
Net assets of the associate	108,649	142,408	155,330
Reconciliation to the carrying amounts of interests in the associate			
Net assets of the associate	108,649	142,408	155,330
Less: Non-controlling interests	—	544	3,440
Net assets attributable to equity holders of the associate	108,649	141,864	151,890
Percentage of the Group’s interests in the associate	21.25%	21.25%	21.25%
Net assets and carrying amount of the associate attributable to the Group	23,088	30,146	32,277

**Dongguan Sogoode**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	278,773	81,546	N/A
Profit (loss) and total comprehensive income (expense) for the year	1,891	(21,368)	N/A
Current assets	135,891	91,285	N/A
Non-current assets	4,253	2,877	N/A
Current liabilities	74,687	56,584	N/A
Non-current liabilities	11,011	4,500	N/A

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	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net assets of the associate	54,446	33,078	N/A
Reconciliation to the carrying amounts of interests in the associate			
Net assets of the associate	54,446	33,078	N/A
Percentage of the Group’s interests in the associate	25.00%	25.00%	N/A
Net assets attributable to the Group’s interests in the associate	13,612	8,270	N/A
Goodwill	2,581	2,581	N/A
Carrying amount of the Group’s interests in the associate	16,193	10,851	N/A

**Longgang Jinqiao**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	32,485	28,064	N/A
Profit and total comprehensive income for the year	23,123	17,172	N/A
Dividends received from the associate during the year	—	808	—
Current assets	234,793	270,311	N/A
Non-current assets	45,219	61,457	N/A
Current liabilities	20,780	106,956	N/A
Non-current liabilities	43,675	2,923	N/A
Net assets of the associate	215,557	221,889	N/A
Reconciliation to the carrying amounts of interests in the associate			
Net assets of the associate	215,557	221,889	N/A
Percentage of the Group’s and the Company’s interests in the associate	7.45%	7.45%	N/A
Net assets and carrying amount of the associate attributable to the Group	16,059	16,531	N/A

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*Xiamen Junior*

	<b>The Group and the Company</b>		
	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	—	—	—
(Loss) profit and total comprehensive (expense) income for the year attributable to equity holders of the associate	(94,298)	(306)	138
Current assets	103,716	98,482	98,549
Non-current assets	20,993	25,993	25,993
Current liabilities	129,007	129,079	129,008
Net liabilities of the associate	(4,298)	(4,604)	(4,466)
Reconciliation to the carrying amounts of interests in the associate			
Net liabilities of the associate	(4,298)	(4,604)	(4,466)
Percentage of the Group’s interests in the associate	96.77%	96.77%	96.77%
Net assets and carrying amount of the Group’s and the Company’s interests in the associate	—	—	—

**Aggregate information of investments accounted for using the equity method that are not individually material**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The Group’s share of (loss) profit and total comprehensive (expense) income for the year	(24,874)	(9,001)	2,775
Aggregate carrying amount of the Group’s interests in these investees	47,578	40,277	42,673

**20. FINANCIAL ASSETS AT FVTPL**

	<b>The Group</b>			<b>The Company</b>		
	<b>At 31 December</b>			<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Current</b>						
Structured deposits	191,431	70,000	10,000	191,431	70,000	10,000
Foreign exchange forwards	—	447	—	—	447	—
	191,431	70,447	10,000	191,431	70,447	10,000
<b>Non-current</b>						
Unlisted life insurance policy	7,620	8,619	9,075	—	—	—
	199,051	79,066	19,075	191,431	70,447	10,000

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Financial assets at FVTPL as at 31 December 2021, 2022 and 2023 mainly represented the Group’s investments in short term structured deposits issued by banks in the PRC, foreign exchange forwards and unlisted life insurance policy (which represents the insurance premium paid for a life insurance policy (the “Insurance Policy”) to insure a director of the Company. Under the Insurance Policy, the beneficiary and policy holder is the Group. The Group can terminate the Insurance Policy at any time and receive cash at the date of termination based on the account value of the Insurance Policy (the “Cash Surrender Value”), which is determined based on the premium paid with the accrued returns after netting of the charges (including a surrender charge) in accordance with the terms and conditions of the Insurance Policy). Details of the fair value measurement are disclosed in Note 38.

### 21. EQUITY INSTRUMENTS AT FVTOCI

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Listed equity securities (Note a)	—	20,333	20,978	—	20,333	20,978
Unlisted equity investments (Note b)	243,031	165,380	177,229	38,160	8,657	27,663
	243,031	185,713	198,207	38,160	28,990	48,641

Notes:

- (a) The above listed equity investments represent ordinary shares of an entity listed in the PRC. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (b) The above unlisted equity investments represent the Group’s equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that they are held for long-term strategic purposes.

During the year ended 31 December 2021, the Group disposed of certain of its equity interests in unlisted equity investments at USD18,996,000 (equivalent to RMB120,907,000). A cumulative fair value gain on disposal of approximately RMB100,950,000 has been transferred to retained profits.

During the year ended 31 December 2022, the Group further disposed certain of its equity interests in unlisted equity investments at USD3,084,000 (equivalent to RMB20,826,000). The cumulative fair value changes on disposal is insignificant.

Details of the fair value measurement are disclosed in Note 38.

### 22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Deferred tax assets	481,029	536,072	415,234	8,310	10,470	23,914
Deferred tax liabilities	(95,286)	(140,164)	(118,353)	(4,311)	(2,205)	(3,063)
	385,743	395,908	296,881	3,999	8,265	20,851



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The following are the major deferred tax assets and liabilities recognised by the Group and the Company and movements therein during the Track Record Period:

### The Group

	Impairment losses under ECL/write- down of inventories	Tax losses	Unrealised profits	Lease liabilities	Right-of-use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	3,448	—	89,903	35,650	(27,443)	(961)	100,597
Exchange adjustments	(6)	—	—	—	—	—	(6)
Credited (charged) to profit or loss	4,817	264,837	13,597	66,721	(66,755)	1,559	284,776
Credited to other comprehensive income	—	—	—	—	—	376	376
At 31 December 2021	8,259	264,837	103,500	102,371	(94,198)	974	385,743
Exchange adjustments	125	—	—	—	—	32	157
Credited (charged) to profit or loss	(1,071)	51,564	(69,058)	67,343	(45,376)	5,176	8,578
Credited to other comprehensive income	—	—	—	—	—	1,430	1,430
At 31 December 2022	7,313	316,401	34,442	169,714	(139,574)	7,612	395,908
Exchange adjustments	34	—	—	—	—	8	42
Credited (charged) to profit or loss	6,412	(72,955)	(28,617)	(23,587)	23,519	(2,034)	(97,262)
Charged to other comprehensive income	—	—	—	—	—	(1,807)	(1,807)
At 31 December 2023	13,759	243,446	5,825	146,127	(116,055)	3,779	296,881

The Group has unused tax losses of RMB1,674,704,000, RMB2,005,816,000 and RMB1,556,429,000 available for offset against future profits as at 31 December 2021, 2022 and 2023, respectively. A deferred tax asset has been recognised in respect of RMB1,601,833,000, RMB1,902,928,000 and RMB1,448,744,000 of such losses as at 31 December 2021, 2022 and 2023, respectively. No deferred tax asset has been recognised on the tax losses of remaining RMB72,871,000, RMB102,888,000 and RMB107,685,000 of such losses as at 31 December 2021, 2022 and 2023, respectively due to the unpredictability of future profit streams. Unrecognised tax losses are losses of approximately RMB72,871,000, RMB102,888,000 and RMB107,685,000 as at 31 December 2021, 2022 and 2023 respectively with expiry dates as disclosed in the following table.

	The Group		
	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
2025	1,018	1,018	1,018
2026	14,594	12,966	9,626
2027	—	19,777	19,616
2028	—	—	54,704
Indefinitely	57,259	69,127	22,721
	72,871	102,888	107,685

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### The Company

	Impairment losses under ECL/write- down of inventories	Tax losses	Lease liabilities	Right-of- use assets	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	176	—	143	(143)	(919)	(743)
Credited (charged) to profit or loss	4,703	—	1,626	(3,298)	1,256	4,287
Charged to other comprehensive income	—	—	—	—	455	455
At 31 December 2021	4,879	—	1,769	(3,441)	792	3,999
Credited (charged) to profit or loss	(2,915)	—	(815)	1,513	5,108	2,891
Credited to other comprehensive income	—	—	—	—	1,375	1,375
At 31 December 2022	1,964	—	954	(1,928)	7,275	8,265
Credited (charged) to profit or loss	(1,395)	21,064	(322)	1,088	(6,042)	14,393
Charged to other comprehensive income	—	—	—	—	(1,807)	(1,807)
At 31 December 2023	569	21,064	632	(840)	(574)	20,851

### 23. FINANCE LEASE RECEIVABLES

The Group subleased certain warehouses for the remaining lease terms and entered into finance lease arrangements as a lessor. The average terms of finance leases entered into usually range from 3 to 7 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

For the year ended 31 December 2022, the finance lease receivables increased due to a new finance lease arrangement entered.

	The Group		
	At 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finance lease receivables comprise:			
Within one year	13,834	27,116	16,208
In the second year	10,657	15,938	16,695
In the third year	—	16,416	17,196
In the fourth year	—	16,909	17,711
In the fifth year	—	17,416	18,243
After five years	—	30,134	12,402
	24,491	123,929	98,455
Gross investment in the lease	24,491	123,929	98,455
Less: unearned finance income	(1,203)	(15,367)	(11,384)
Present value of minimum lease payments	23,288	108,562	87,071

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	The Group		
	At 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:			
Current	12,872	22,943	12,752
Non-current	10,416	85,619	74,319
	<u>23,288</u>	<u>108,562</u>	<u>87,071</u>

Interest rates implicit in the above finance leases at 5.5%, range from 4.25% to 5.5% and 4.25% as at 31 December 2021, 2022 and 2023 respectively.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

### 24. PLEDGED/RESTRICTED BANK DEPOSITS/BANK DEPOSITS WITH MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

#### Cash and cash equivalents

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group’s short term cash commitments, which carry interest at market rates range from 0.0001% to 1.00% and 0.0001% to 1.00% and 0.0001% to 1.00% as at 31 December 2021, 2022 and 2023, respectively.

#### Restricted bank deposits

As at 31 December 2021, there were restricted bank deposits amounting to RMB1,359,000 being restricted in relation to a litigation on contracts of sale and purchase. The litigation case has been settled during 2022 and therefore such deposits were released during the year ended 31 December 2022.

#### Pledged bank deposits

Pledged bank deposits represent the deposits pledged to banks to secure the (i) issuance of the Group’s bills payable and (ii) bank borrowings as at 31 December 2021, 2022 and 2023. The pledged bank deposits will be released upon the settlement of relevant bills, bank borrowings and performance bond respectively.

#### Bank deposits with original maturity over three months

As at 31 December 2023, bank deposits with original maturity over three months carry interest at prevailing banking deposits rate at 3.30% per annum.

Details of impairment assessment of bank balances, bank deposit with maturity over three months and pledged/restricted bank deposits are set out in Note 38.

### 25. INVENTORIES

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inventories						
— finished goods	2,446,317	1,327,445	1,079,210	92,898	74,699	8,028
— right-of-return assets	3,325	3,940	6,161	—	—	—
Less: provision	(1,069,800)	(304,783)	(39,523)	(30,573)	(10,963)	(862)
	<u>1,379,842</u>	<u>1,026,602</u>	<u>1,045,848</u>	<u>62,325</u>	<u>63,736</u>	<u>7,166</u>

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

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### 26. TRADE RECEIVABLES

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from:						
— subsidiaries	—	—	—	2,460,758	1,928,690	2,260,436
— third parties	516,449	501,238	876,395	2,766	652	487
Less: Allowance for credit losses	(47,710)	(33,788)	(68,926)	(138)	(33)	(101)
	<u>468,739</u>	<u>467,450</u>	<u>807,469</u>	<u>2,463,386</u>	<u>1,929,309</u>	<u>2,260,822</u>

As at 1 January 2021, trade receivables from contracts with customers of the Group and the Company amounted to RMB379,190,000 and RMB1,757,015,000 respectively.

The Group and the Company grants the credit period ranging from 10 days to 90 days to its trade customers.

At 31 December 2021 and 2022, carrying amounts of trade receivables amounted to RMB173,135,000 and RMB57,053,000 have been pledged as security for the Group’s and Company’s borrowings.

Aging of trade receivables, is prepared based on the date of transfer of goods or issue of invoice, which approximated the respective revenue recognition dates, as follows:

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 — 90 days	243,397	444,104	753,071	150,263	279,074	276,650
91 — 180 days	126,064	23,346	20,851	187,120	406,274	530,650
181 — 365 days	99,278	—	23,962	2,122,683	647,574	935,183
Over 365 days	—	—	9,585	3,320	596,387	518,339
	<u>468,739</u>	<u>467,450</u>	<u>807,469</u>	<u>2,463,386</u>	<u>1,929,309</u>	<u>2,260,822</u>

Included in the balance are the Group’s trade receivables balance are debtors with the aggregate carrying amount of RMB225,342,000, RMB23,346,000 and RMB54,398,000 which are past due but not impaired as at 31 December 2021, 2022 and 2023. As the Group believes that these balances can be recovered based on past experience, the Group has not provided impairment loss for the past due but not impaired as at the reporting date. The Group does not hold any security for these balances.

Details of impairment assessment of trade receivables are set out in Note 38.

### 27. PREPAYMENTS AND OTHER RECEIVABLES

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	108,775	70,436	101,683	65,320	27,309	11,794
Value-added tax receivable	56,621	55,600	55,800	19,570	29,051	23,862
Other tax receivable	2,830	1,042	22,349	1,405	252	2,665
Consideration receivable (Note 43(c))	—	70,920	70,920	—	70,920	70,920
Deposits	30,646	39,781	41,415	5,878	4,932	4,869
Deferred issue cost	—	—	6,222	—	—	6,222
Prepaid issue cost	—	—	98	—	—	98
Others	22,604	1,590	12,049	12,143	688	2,341
	<u>221,476</u>	<u>239,369</u>	<u>310,536</u>	<u>104,316</u>	<u>133,152</u>	<u>122,771</u>

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	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Less: Allowance for credit losses	(8,542)	(11,833)	(22,860)	(1,820)	(8,543)	(14,740)
	212,934	227,536	287,676	102,496	124,609	108,031

Details of impairment assessment of other receivables are set out in Note 38.

**28. TRADE AND OTHER PAYABLES**

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables from						
— third parties	804,703	751,654	919,612	138,636	280,805	150,998
— associates	109,409	60,741	18,384	444	6,514	1,591
Bills payable	914,112	812,395	937,996	139,080	287,319	152,589
	229,952	111,368	96,956	197,770	98,057	96,956
	1,144,064	923,763	1,034,952	336,850	385,376	249,545
Consideration payable (Note 36(b))	—	130,000	130,000	—	130,000	130,000
Accrued employees’ benefits	42,561	45,808	47,291	21,181	17,267	23,063
Other tax payables	2,438	3,032	5,247	1,853	1,610	2,605
Deposits	31,005	15,947	11,279	—	290	2,739
Provisions	1,903	17,381	15,326	—	15,326	15,326
[REDACTED]	—	—	[REDACTED]	—	—	[REDACTED]
Others	9,945	13,416	4,712	9,746	9,125	44
	1,231,916	1,149,347	1,259,004	369,630	558,994	433,519
Analysed as:						
Current	1,231,916	1,049,347	1,159,004	369,630	458,994	333,519
Non-current	—	100,000	100,000	—	100,000	100,000
	1,231,916	1,149,347	1,259,004	369,630	558,994	433,519

The following is the aging analysis of trade and bills payables based on at the end of each reporting period.

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 – 90 days	786,943	803,277	965,208	185,603	315,412	215,145
91 – 180 days	186,504	96,372	50,521	113,846	65,043	31,013
181 – 365 days	168,062	17,118	11,906	36,222	1,508	1,525
Over 365 days	2,555	6,996	7,317	1,179	3,413	1,862
	1,144,064	923,763	1,034,952	336,850	385,376	249,545

The average credit period on purchases of goods is 90 days.

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**29. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER/AMOUNTS DUE FROM/(TO) SUBSIDIARIES**

**(a) Amount due to a non-controlling shareholder**

	<b>The Group and the Company</b>		
	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Zhang Xiao (“Mr. Zhang”)	60,191	1,123	1,123

Mr. Zhang is a non-controlling shareholder of a subsidiary, Shenzhen Xiyou Zhicang Technology Co., Ltd..

The amount is non-trade nature, guaranteed by Mr. Lu and Mr. Ze and carried at interest of 3% per annum. The principal amount of RMB60,000,000 has been repaid during the year ended 31 December 2022 and the remaining balance represents the interest payable as at 31 December 2022 and 2023.

**(b) Amounts due from/(to) subsidiaries**

The amounts are non-trade nature, interest-free and repayable on demand.

**30. BANK BORROWINGS**

	<b>The Group</b>			<b>The Company</b>		
	<b>At 31 December</b>			<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans:						
Secured	312,012	523,442	377,753	312,012	523,442	367,597
Unsecured	230,471	93,948	285,440	114,766	50,450	187,010
	<u>542,483</u>	<u>617,390</u>	<u>663,193</u>	<u>426,778</u>	<u>573,892</u>	<u>554,607</u>

	<b>The Group</b>			<b>The Company</b>		
	<b>At 31 December</b>			<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above bank borrowings that contain a repayable on demand clause (shown under current liabilities) and repayable within one year	115,705	43,498	43,435	—	—	43,435
The carrying amounts of the other bank borrowings are repayable*:						
Within one year	426,778	444,867	343,160	426,778	444,867	234,574
Within a period of more than one year but not exceeding two years	—	7,862	17,584	—	7,862	17,584
Within a period of more than two years but not exceeding five years	—	121,163	259,014	—	121,163	259,014

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	Bank loans					
	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	542,483	617,390	663,193	426,778	573,892	554,607
Less: Amounts due within one year shown under current liabilities	(542,483)	(488,365)	(386,595)	(426,778)	(444,867)	(278,009)
Amounts shown under non-current liabilities	—	129,025	276,598	—	129,025	276,598

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's and Company's borrowings are as follows:

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings	218,373	153,817	202,437	214,058	140,874	187,010
Variable-rate borrowings	324,110	463,573	460,756	212,720	433,018	367,597
	542,483	617,390	663,193	426,778	573,892	554,607

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's and Company's bank loans is as follows:

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
Effective interest rate:						
Fixed-rate borrowings	0.15% to 2.26%	1.6% to 3.5%	0.0% to 3.0%	0.15% to 2.0%	1.6% to 2.8%	1.3% to 3.0%
Variable rate borrowings	0.17% to 4.5%	0.32% to 4.5%	3.0% to 4.45%	0.17% to 4.5%	0.32% to 4.5%	3.8% to 4.45%

The Group's and the Company's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EUR	367,392	338,408	—	324,428	294,910	—
USD	125,937	88,364	—	53,350	88,364	—
JPY	—	—	94,860	—	—	94,860

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At 31 December 2021, 2022 and 2023, the borrowings amounting to approximately RMB175,828,000, RMB161,866,000 and RMB10,156,000 were secured by a pledge of time deposit of RMB166,578,000, RMB179,048,000 and RMB11,332,000, respectively.

At 31 December 2021 and 2022, the borrowings amounting to approximately RMB114,766,000 and RMB50,450,000 were jointly guaranteed by Mr. Lu, Mr. Ze, Ms. Zhang Xiuhua (“Ms. Zhang”), and Aukey International Ltd, respectively. As represented by the Directors, the guarantees will be released prior to the [REDACTED].

At 31 December 2021 and 2022, the borrowings amounting to RMB136,184,000, and RMB45,284,000 were jointly guaranteed by Mr. Lu, Mr. Ze, Ms. Zhang and Aukey International Ltd., and secured by trade receivables of RMB173,135,000 and RMB57,053,000, respectively. As represented by the Directors, the guarantees will be released prior to the [REDACTED].

At 31 December 2022 and 2023, the borrowings amounting to approximately RMB59,077,000 and RMB73,147,000 were jointly guaranteed by Mr. Lu, Mr. Ze, Ms. Zhang and Aukey International Ltd., and secured by a leasehold land of the Group included in right-of-use assets with carrying amount of RMB31,976,000 and RMB30,871,000. As represented by the Directors, the guarantees will be released prior to the [REDACTED].

At 31 December 2022 and 2023, the borrowings amounting to approximately RMB257,215,000 and RMB294,450,000 were jointly guaranteed by Mr. Lu, Mr. Ze, Ms. Zhang and Aukey International Ltd., and secured by a leasehold land and building of the Group with carrying amount of RMB595,731,000 and RMB561,565,000. As represented by the Directors, the guarantees will be released prior to the [REDACTED].

At 31 December 2021, 2022 and 2023, the borrowings amounting to approximately RMB115,705,000, RMB43,498,000 and RMB93,159,000 were guaranteed by the Company, respectively.

At 31 December 2023, the borrowings amounting to approximately RMB5,271,000 were guaranteed by Mr. Yu Le (“Mr. Yu”).

At 31 December 2023, the borrowings amounting to approximately RMB187,010,000 were jointly guaranteed by Mr. Lu, Mr. Ze, and Aukey International Ltd, respectively. As represented by the Directors, the guarantees will be released prior to the [REDACTED].

### 31. LEASE LIABILITIES

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Lease liabilities payable:</b>						
Within 1 year	91,690	139,268	155,363	5,418	2,930	1,413
Within a period of more than one year but not exceeding two years	92,353	128,564	167,552	2,583	743	1,489
Within a period of more than two years but not exceeding five years	241,428	389,869	360,185	3,576	2,689	1,118
Within a period of more than five years	92,644	181,397	150,153	209	—	197
	518,115	839,098	833,253	11,786	6,362	4,217
Less: Amount due for settlement with 12 months under current liabilities	(91,690)	(139,268)	(155,363)	(5,418)	(2,930)	(1,413)
Amount due for settlement after 12 months shown under non-current liabilities	426,425	699,830	677,890	6,368	3,432	2,804

The weighted average incremental borrowing rates of the Group’s lease liabilities are from 3% to 7.65%, 3% to 7.45% and 3% to 9.5% as at 31 December 2021, 2022 and 2023, respectively.

Lease liabilities of RMB518,115,000, RMB839,098,000 and RMB833,253,000 are recognised with related right-of-use assets of RMB481,730,000, RMB695,159,000 and RMB686,828,000 and some of the right-of-use assets are derecognised upon the sub-lease as at 31 December 2021, 2022 and 2023, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.



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### 32. CONTRACT LIABILITIES

	The Group			The Company		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	52,201	54,873	39,136	333	687	375
Logistics services	2,807	7,072	9,063	—	—	—
	55,008	61,945	[48,199]	333	687	[375]

As at 1 January 2021, the Group’s and the Company’s contract liabilities amounted to RMB80,257,000 and RMB9,000 respectively.

All contract liabilities are expected to be settled within the Group’s normal operating cycle, and are classified as current based on the Group’s earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	The Group			The Company		
	Year ended 31 December			Year ended 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	80,257	55,008	61,945	9	333	687

### 33. REFUND LIABILITIES

The right to returned goods asset represents the Group’s right to recover products from customers where customers exercise their right of return under the Group’s 30-day returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level.

	The Group		
	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Refund liabilities arising from right of return	20,811	21,950	20,797

The refund liabilities relate to customers’ right to return products within 30 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned.

### 34. CONVERTIBLE LOAN NOTES

During the year ended 31 December 2021, the Company issued convertible loan notes with an aggregate principal amount of RMB380,000,000 to Mr. Lu, Mr. Ze and seven independent third parties (the “Independent Convertible Loan Notes Holders”).

The convertible loan notes issued to Mr. Lu and Mr. Ze are interest-free. The convertible loan notes issued to the Independent Convertible Loan Notes Holders are bearing interest accruing at a rate of:

- (i) 6% per annum on the principal amounts of the convertible loan notes subsequent to twelve months from the issue date until the date of conversion of the convertible loan notes if these convertible loan notes would be converted into shares of the Company by the Independent Convertible Loan Notes Holders, or

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- (ii) 8% per annum on the principal amounts of the convertible loan notes from the issue date until the repayment date if these convertible loans notes would not be converted into shares of the Company by the Independent Convertible Loan Notes Holders.

The convertible loan notes are denominated in RMB.

### Convertible option

All of these convertible loan notes are exercisable at the options of the convertible loan notes holders at any time during the period until 30 June 2023, in whole or in part, to convert into variable numbers of shares of the Company under different conversion conditions.

The convertible loan notes contain two components, debt component and derivative (including conversion and early redemption options) component. The Group designated the convertible loan notes as financial liabilities at FVTPL as a whole.

The movement of the convertible loan notes during the Trade Record Period is set out as below:

	<b>The Group and the Company</b>		
	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year	—	390,572	416,981
Issued during the year	380,000	—	—
Changes in fair value charged to profit or loss	3,935	3,304	(7,239)
Accrued interest	6,637	29,105	20,794
Repayment	—	(6,000)	(430,536)
	<u>—</u>	<u>(6,000)</u>	<u>(430,536)</u>
Carrying amount at the end of the year	<u>390,572</u>	<u>416,981</u>	<u>—</u>

The convertible loan notes were matured on 30 June 2023 and no convertible option was exercised. All of the fair value changes up to the maturity date were recognised in profit or loss included in "other gains and losses". The principal amount and the accrued interests of the convertible loan notes were fully settled as at 31 December 2023.

### 35. SHARE CAPITAL AND RESERVES OF THE COMPANY

#### (a) Share Capital of the Group and the Company

	<b>Number of domestic shares</b>	<b>Share capital</b>
		<i>RMB'000</i>
Ordinary shares of RMB1 each <b>Registered, issued and fully paid</b>		
At 1 January 2021	388,500,000	388,500
Issue of Shares ( <i>Note i</i> )	<u>1,554,000</u>	<u>1,554</u>
At 31 December 2021 and 2022	390,054,000	390,054
Shares repurchased and cancelled ( <i>Note ii</i> )	<u>(3,188,784)</u>	<u>(3,189)</u>
At 31 December 2023	<u>386,865,216</u>	<u>386,865</u>

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*Notes:*

- (i) During the year ended 31 December 2021, the Company issued 1,554,000 domestic shares to an independent party at a consideration of RMB40,000,000 and rank pari passu with other shares in issue in all aspects.
- (ii) During the year ended 31 December 2023, the Company repurchased and cancelled 3,188,784 shares at a consideration of RMB40,879,000.

**(b) Reserves of the Company**

Below table sets out the details of the reserves of the Company:

	Share premium	FVTOCI reserve	Other reserve	Translation reserve	Statutory reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	655,156	5,636	–	–	118,150	965,383	1,744,325
Profit for the year	–	–	–	–	–	477,399	477,399
Fair value change on investments in equity instruments at FVTOCI	–	(2,576)	–	–	–	–	(2,576)
Share of other comprehensive expense of investments accounted for using the equity method, net of tax	–	(90,083)	–	–	–	–	(90,083)
Total comprehensive (expense) income for the year	–	(92,659)	–	–	–	477,399	384,740
Issue of the shares ( <i>Note 35(a)</i> )	38,446	–	–	–	–	–	38,446
Issue of written put options	–	–	(40,000)	–	–	–	(40,000)
Appropriation	–	–	–	–	47,740	(47,740)	–
At 31 December 2021	693,602	(87,023)	(40,000)	–	165,890	1,395,042	2,127,511
Profit for the year	–	–	–	–	–	105,841	105,841
Fair value change on investments in equity instruments at FVTOCI	–	(7,795)	–	–	–	–	(7,795)
Share of other comprehensive expense of investments accounted for using the equity method, net of tax	–	(65)	–	–	–	–	(65)
Total comprehensive (expense) income for the year	–	(7,860)	–	–	–	105,841	97,981
Appropriation	–	–	–	–	11,229	(11,229)	–
At 31 December 2022	693,602	(94,883)	(40,000)	–	177,119	1,489,654	2,225,492
Loss for the year	–	–	–	–	–	(1,379)	(1,379)
Fair value change on investments in equity instruments at FVTOCI	–	11,083	–	–	–	–	11,083
Share of other comprehensive income of investments accounted for using the equity method, net of tax	–	–	–	380	–	–	380
Total comprehensive income (expense) for the year	–	11,083	–	380	–	(1,379)	10,084
Appropriation	–	–	–	–	452	(452)	–
Repurchase and cancellation of shares ( <i>Note 35(a)</i> )	(37,690)	–	–	–	–	–	(37,690)
At 31 December 2023	655,912	(83,800)	(40,000)	380	177,571	1,487,823	2,197,886

### 36. ACQUISITION OF SUBSIDIARIES

**(a) Acquisition of a subsidiary — S2E, Inc.**

On 31 January 2022, pursuant to the agreement signed between AXZ Group Holding Inc (“AXZ”), a subsidiary of the Group, and two independent third parties, AXZ agreed to acquire 91% equity interest in S2E, Inc. at a cash consideration of RMB25,861,000. S2E Inc. is principally engaged in the offline sales of products and was acquired with the objective of expanding the Group’s sales channel. The acquisition has been accounted for as acquisition of business using the acquisition method.

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### *Consideration transferred*

	<i>RMB'000</i>
Cash	25,861

### *Assets acquired and liabilities recognised at the date of acquisition*

	<i>RMB'000</i>
Property, plant and equipment	178
Inventories	7,191
Trade receivables	4,435
Prepayments and other receivables	292
Cash and cash equivalents	7,990
Trade and other payables	(3,604)
	<u>16,482</u>

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB4,726,000 at the date of acquisition had gross contractual amounts of RMB4,726,000 with no contractual cash flows not expected to be corrected at acquisition date.

### *Non-controlling interests*

The non-controlling interests (9%) in S2E, Inc. recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of S2E, Inc. and amounted to RMB1,484,000.

### *Goodwill arising on acquisition:*

	<i>RMB'000</i>
Consideration transferred	25,861
Plus: non-controlling interests (9% in S2E, Inc.)	1,484
Less: recognised amounts of net assets acquired	<u>16,482</u>
Goodwill arising on acquisition and impaired during the year ended 31 December 2022	<u>10,863</u>

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

During the year ended 31 December 2022, considering the Group changed its sales channel strategy to further reduce the sales through relevant offline channels, the Group would not allocate further resources in S2E, Inc. and did not expect a significant improvement on its financial performance in the near future. Accordingly, its recoverable amount was assessed to be less than the carrying amount. The directors of the Company have determined to provide full impairment of goodwill arising from the acquisition of S2E, Inc. amounting to RMB10,863,000 during the year ended 31 December 2022.

### *Net cash outflow on acquisition of S2E, Inc.*

	<i>RMB'000</i>
Cash consideration paid	25,861
Less: cash and cash equivalents acquired	<u>7,990</u>
	<u>17,871</u>

### *Impact of acquisition on the results of the Group*

Included in the profit for the year ended 31 December 2022 is RMB678,000 attributable to the additional business generated by S2E, Inc.. Revenue for the year ended 31 December 2022 includes RMB26,982,000 generated from S2E, Inc..

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Had the acquisition of S2E, Inc. been completed on 1 January 2022, revenue for the year ended 31 December 2022 of the Group would have been RMB7,101,980,000, and profit for the year ended 31 December 2022 would have been RMB213,436,000. The [REDACTED] information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

**(b) Acquisition of assets through acquisition of a subsidiary — Shenzhen Maoshun Industrial Co., Ltd. (“SZ Maoshun”)**

On 10 August 2022, pursuant to the agreement signed between the Company and three independent third parties, the Company agreed to acquire 100% equity interest in SZ Maoshun at a cash consideration of RMB610,000,000. SZ Maoshun holds the entire equity interest in Shenzhen Jiajiu Logistics Co., Ltd. (“SZ Jiajiu”) which hold an office building which is located in Shenzhen.

The Group elected to apply the optional concentration test in accordance with IFRS 3 “Business Combinations” and concluded that the land and building of Shenzhen Jiajiu for administrative purpose are considered a single identifiable asset.

Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

As at 31 December 2021, the Company paid a deposit for this acquisition of RMB67,495,000 to counterparties.

*Assets and liabilities recognised at the date of acquisition*

	<i>RMB’000</i>
Property, plant and equipment	609,966
Other receivables	3
Cash and cash equivalents	55
Other payables	(24)
	<u>610,000</u>

*Net cash outflows arising on acquisition of SZ Maoshun*

	<i>RMB’000</i>
Consideration	610,000
Less: Consideration payable recognised in other payables	130,000
Less: Deposits paid	67,495
Less: cash and cash equivalents acquired	55
	<u>412,450</u>

As at year ended 31 December 2022, the consideration of RMB30,000,000 and RMB100,000,000 is payable within one year and no later than 30 June 2025, respectively, and are included in other payables.

### 37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes contractual liabilities under issued written put option and bank borrowings as disclosed in Note 30, convertible loan notes as disclosed in Note 34, net of cash and cash equivalents, and total equity of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debts.

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**38. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

**The Group**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial assets</b>			
Financial assets at amortised cost	1,309,068	1,535,619	1,901,044
Financial assets at FVTPL	199,051	79,066	19,075
Equity instruments at FVTOCI	243,031	185,713	198,207
	<u>1,751,150</u>	<u>1,800,398</u>	<u>2,118,326</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	1,808,499	1,723,589	1,876,253
Convertible loan notes	390,572	416,981	—
Contractual liabilities under issued written put option	40,000	43,200	46,400
	<u>2,239,071</u>	<u>2,183,770</u>	<u>1,922,653</u>
Finance lease receivables	23,288	108,562	87,071
Lease liabilities	<u>518,115</u>	<u>839,098</u>	<u>833,253</u>

**The Company**

	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial assets</b>			
Financial assets at amortised cost	3,375,817	3,225,214	3,253,761
Financial assets at FVTPL	191,431	70,447	10,000
Equity instruments at FVTOCI	38,160	28,990	48,641
	<u>3,605,408</u>	<u>3,324,651</u>	<u>3,312,402</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	1,003,235	1,136,499	1,527,526
Convertible loan notes	390,572	416,981	—
Contractual liabilities under issued written put option	40,000	43,200	46,400
	<u>1,433,807</u>	<u>1,596,680</u>	<u>1,573,926</u>
Lease liabilities	<u>11,786</u>	<u>6,362</u>	<u>4,217</u>

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### Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, finance lease receivables, trade and other receivables, pledged/restricted bank deposits, bank deposit with original maturity over three months, bank balances, trade and other payables, bank borrowings, convertible loan notes, amount due to a non-controlling shareholder, lease liabilities and contractual liabilities under issued written put option, except for above, the Company's major financial instruments also include amounts due from/to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risk during the reporting period.

#### (i) Currency risk

The Group and the Company have foreign currency sales and purchases, bank balances and bank borrowings which expose the Group and the Company to foreign currency risk.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

#### The Group

	Assets			Liabilities		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	601,393	672,014	987,640	422,011	283,361	216,416
EUR	157,792	124,474	110,148	384,384	350,439	14,759
	<u>759,185</u>	<u>796,488</u>	<u>1,097,788</u>	<u>806,395</u>	<u>633,800</u>	<u>231,175</u>

#### The Company

	Assets			Liabilities		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	2,390,254	2,079,494	2,465,513	55,040	90,232	189
EUR	43,635	13,471	20,706	324,717	295,244	354
	<u>2,433,889</u>	<u>2,092,965</u>	<u>2,486,219</u>	<u>379,757</u>	<u>385,476</u>	<u>543</u>

The Group and the Company currently does not have a foreign exchange hedging policy. However, the management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

#### Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative

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number below indicates an decrease in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

**The Group**

	USD Impact			EUR Impact		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	(7,489)	(16,226)	(32,199)	9,460	9,434	(3,982)

**The Company**

	USD Impact			EUR Impact		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	(99,247)	(84,544)	(104,776)	11,946	11,975	(865)

**(ii) Interest rate risk**

The Group and the Company are exposed to fair value interest rate risk in relation to finance lease receivables (Note 23), fixed-rate pledged/restricted bank deposits (Note 24), bank deposit with original maturity over three months (Note 24), fixed-rate bank borrowings (Note 30), lease liabilities (Note 31), convertible loan notes (Note 34) and contractual liabilities under issued written put option.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and pledged/restricted bank deposits (Note 24) and variable-rate bank borrowings (Note 30). The Group and the Company cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Euro Interbank Offered Rate (“EURIBOR”), London Interbank Offered Rate (“LIBOR”) and Loan Prime Rate of China (collectively as “Variable Borrowing Rates”) arising from the Group’s and the Company’s bank borrowings. The Group and the Company manage its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

**Sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. Bank balances and bank deposits are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group’s post-tax loss for the year ended 31 December 2021 would increase/decrease by RMB1,378,000 and the Group’s post-tax profit for the year ended 31 December 2022 and 2023 would decrease/increase by RMB1,970,000 and RMB1,958,000 respectively. This is mainly attributable to the Group’s exposure to interest rates on its variable-rate bank borrowings.

**(iii) Other price risk**

The Group and the Company are exposed to equity price risk through its investments in equity securities measured at FVTOCI. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market. The exposure of other price risk is considered to be insignificant. The Group and the Company have appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.



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### **Credit risk and impairment assessment**

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company is due to failure to discharge an obligation by the counterparties. The Group's and the Company's credit risk is mainly associated with bank balances, pledged/restricted bank deposits, bank deposit with original maturity over three months, trade and other receivables, contract assets, finance lease receivables and amounts due from subsidiaries.

#### ***Trade receivables and contract assets arising from contracts with customers***

The Group and the Company mainly conducted transactions with customers with good quality and long term relationship, when accepting new customers through offline channels, the Group and the Company consider the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group and the Company continuously monitor the credit quality and financial condition of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from trade receivables and contract assets, the Group and the Company have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group and the Company reassess lifetime ECL for trade receivables and contract assets arising from contracts with customers to ensure that adequate impairment loss is made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are individually assessed for debtors with significant balances or credit-impaired and collectively assessed based on internal credit ratings for the remaining balance. As part of the Group's and the Company's credit risk management, the Group and the Company uses internal credit ratings to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated.

#### ***Other receivables and amounts due from subsidiaries***

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables and amount due from subsidiaries based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL except for certain other receivables have been measured based on lifetime ECL with significant increase in credit risk. Details of the quantitative disclosures are set out below in this note.

#### ***Finance lease receivables***

The management estimates the loss rates of finance lease receivables based on historical credit loss experience of the debtors. Based on assessment by the management, the management considers the ECL for finance lease receivables is insignificant and therefore no loss allowance was recognised.

#### ***Bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months***

The Group and the Company transact with banks with high credit ratings. The credit risk for bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months as at 31 December 2021, 2022 and 2023 was considered as insignificant as such amounts were placed in reputable banks. The Group and the Company assessed 12m ECL for pledged bank deposits/restricted bank deposits, bank balances and bank deposit with original maturity over three months by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits/restricted bank deposits, bank balances and bank deposit with original maturity over three months is considered to be insignificant and therefore no loss allowance was recognised.

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The Group’s and the Company’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and finance lease receivables	Financial assets other than trade receivables and finance lease receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets, contract assets and finance lease receivables which are subject to ECL assessment:

### The Group

Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	2021		2022		2023	
				Gross carrying amount		Gross carrying amount		Gross carrying amount	
				RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Financial assets at amortised cost</b>									
Bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months	24	AA and AA+	N/A	12m ECL	788,085		963,488		984,729
Trade receivables — contracts with customers	26	N/A	Low risk/ Watch list Doubtful Loss	Lifetime ECL (collective assessment, not credit-impaired) Lifetime ECL (individual assessment, not credit-impaired) Lifetime ECL (Credit-impaired)	242,530 254,796 19,123	516,449	487,253 3,026 10,959	501,238	827,982 2,858 45,555
Other receivables	27	N/A	Low risk/ Watch list Loss	12m ECL Lifetime ECL (not credit-impaired) Credit-impaired	48,851 — 4,399	53,250	38,482 70,920 2,889	112,291	50,526 70,920 2,938
Finance lease receivables	23	N/A	Low risk/ Watch list	Lifetime ECL (collective assessment, not credit-impaired) Lifetime ECL (collective assessment, not credit-impaired)	23,288		108,562		87,071
Contract assets		N/A	Low risk/ Watch list	Lifetime ECL (collective assessment, not credit-impaired)	7,536		4,223		7,322

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### The Company

Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2021		2022		2023	
				Gross carrying amount		Gross carrying amount		Gross carrying amount	
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets at amortised cost</b>									
<b>Bank balances, Pledged/restricted bank deposits and bank deposit with original maturity over three months</b>									
24	AA and AA+	N/A	12m ECL		383,328		469,748		427,281
<b>Trade receivables — contracts with customers</b>									
26	N/A	Low risk/ Watch list	Lifetime ECL (collective assessment, not credit-impaired)	2,766		652		411	
			Lifetime ECL (individual assessment, not credit-impaired)	2,460,758		1,928,690		2,260,436	
			Loss Lifetime ECL (Credit-impaired)	—	2,463,524	—	1,929,342	76	2,260,923
<b>Other receivables</b>									
27	N/A	Low risk/ Watch list Doubtful	12m ECL	18,021		5,620		7,210	
			Lifetime ECL (not credit-impaired)	—		70,920		70,920	
			Loss Credit-impaired	—	18,021	—	76,540	—	78,130
<b>Amounts due from subsidiaries</b>									
29(b)	N/A	Low risk	12m ECL	512,902		758,160		502,268	

#### Notes:

- (a) For the trade receivables, contract assets and finance lease receivables, the Group/the Company applied the simplified approach in IFRS 9 to measure loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group/the Company determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating in the classes of low risk, watch list or doubtful.
- (b) For pledged/restricted bank deposits, bank balances and bank deposit with original maturity over three months, other receivables and deposits, the Group/the Company has applied the 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

As part of the Group’s and the Company’s credit risk management, the Group and the Company apply internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed on a collective basis within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts as at 31 December 2021, 2022 and 2023 of RMB273,919,000, RMB13,985,000 and RMB48,413,000 of the Group and RMB2,460,758,000, RMB1,928,690,000 and RMB2,260,436,000 of the Company were assessed individually, respectively.

### The Group

Internal credit rating	2021		2022		2023	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables	Average loss rate	Trade receivables
		RMB'000		RMB'000		RMB'000
Low risk	3.50%	239,372	3.49%	390,296	2.33%	800,955
Watch list	6.72%	268	6.60%	95,412	6.65%	391
Doubtful	9.24%	2,890	8.74%	1,545	9.92%	26,636
		242,530		487,253		827,982

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Internal credit rating	2021		2022		2023	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables	Average loss rate	Trade receivables
		RMB’000		RMB’000		RMB’000
Low risk	4.52%	2,413	0.58%	171	5.90%	305
Watch list	6.34%	142	6.65%	481	8.49%	106
Doubtful	9.48%	211	N/A	—	N/A	—
		<u>2,766</u>		<u>652</u>		<u>411</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets.

### The Group

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2021	19,674	8,742	28,416
Transfer to credit impaired	(2,031)	2,031	—
Impairment losses recognised	25,028	14,286	39,314
Impairment losses reversed	(8,734)	—	(8,734)
Written-off	—	(11,042)	(11,042)
Exchange adjustments	(244)	—	(244)
At 31 December 2021	<u>33,693</u>	<u>14,017</u>	<u>47,710</u>
Transfer to credit impaired	(4,396)	4,396	—
Impairment losses recognised	15,620	—	15,620
Impairment losses reversed	(22,270)	(3,253)	(25,523)
Written-off	—	(4,396)	(4,396)
Exchange adjustments	377	—	377
At 31 December 2022	<u>23,024</u>	<u>10,764</u>	<u>33,788</u>
Impairment losses recognised	11,399	37,583	48,982
Impairment losses reversed	(9,621)	(864)	(10,485)
Written-off	—	(2,735)	(2,735)
Exchange adjustments	(624)	—	(624)
At 31 December 2023	<u>24,178</u>	<u>44,748</u>	<u>68,926</u>

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	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	24	—	24
Impairment losses recognised	157	—	157
Impairment losses reversed	(43)	—	(43)
Written-off	—	—	—
Exchange adjustments	—	—	—
	<hr/>	<hr/>	<hr/>
At 31 December 2021	138	—	138
Impairment losses recognised	—	—	—
Impairment losses reversed	(105)	—	(105)
Written-off	—	—	—
Exchange adjustments	—	—	—
	<hr/>	<hr/>	<hr/>
At 31 December 2022	33	—	33
Impairment losses recognised	17	74	91
Impairment losses reversed	(23)	—	(23)
Written-off	—	—	—
Exchange adjustments	—	—	—
	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>27</u>	<u>74</u>	<u>101</u>

The Group and the Company make full provision for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

### The Group

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	2,273	—	—	2,273
Impairment losses recognised	1,981	—	13,271	15,252
Written-off	—	—	(8,950)	(8,950)
Exchange adjustments	(33)	—	—	(33)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	4,221	—	4,321	8,542
Impairment losses recognised	9,151	—	8,814	17,965
Transfer	(9,023)	8,407	616	—
Impairment losses reversed	(4,107)	—	(1,483)	(5,590)
Written-off	—	—	(9,430)	(9,430)
Exchange adjustments	346	—	—	346
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	588	8,407	2,838	11,833
Impairment losses recognised	10,330	—	48	10,378
Transfer	(6,033)	6,029	4	—
Impairment losses reversed	(21)	—	—	(21)
Written-off	—	—	(4)	(4)
Exchange adjustments	674	—	—	674
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>5,538</u>	<u>14,436</u>	<u>2,886</u>	<u>22,860</u>

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### The Company

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	964	—	—	964
Impairment losses recognised	856	—	—	856
Written-off	—	—	—	—
Exchange adjustments	—	—	—	—
At 31 December 2021	1,820	—	—	1,820
Impairment losses recognised	8,407	—	—	8,407
Transfer	(8,407)	8,407	—	—
Impairment losses reversed	(1,684)	—	—	(1,684)
Written-off	—	—	—	—
Exchange adjustments	—	—	—	—
At 31 December 2022	136	8,407	—	8,543
Impairment losses recognised	6,223	—	—	6,223
Transfer	(6,029)	6,029	—	—
Impairment losses reversed	(26)	—	—	(26)
Written-off	—	—	—	—
Exchange adjustments	—	—	—	—
At 31 December 2023	304	14,436	—	14,740

### Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group’s and the Company’s operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary.

The table below analyses the Group’s and the Company’s financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including both interest and principal.

### The Group

	Weighted average interest rate	On demand or within 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total Carrying amount
	%	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>As at 31 December 2021</b>							
Trade and other payables	—	1,185,014	—	—	—	1,185,014	1,185,014
Amount due to a non-controlling shareholder	—	60,191	—	—	—	60,191	60,191
Bank borrowings							
– fixed rate	0.15-2.26	218,551	—	—	—	218,551	218,373
– variable rate	0.17-4.50	325,278	—	—	—	325,278	324,110
Refund liabilities	—	20,811	—	—	—	20,811	20,811
Convertible loan notes	8.00	—	430,614	—	—	430,614	390,572
Contractual liabilities under issued written put option	8.00	—	—	52,800	—	52,800	40,000
		1,809,845	430,614	52,800	—	2,293,259	2,239,071
Lease liabilities	3.00-7.65	109,966	107,197	267,027	97,576	581,766	518,115

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	Weighted average interest rate %	On demand or within 1 year RMB’000	1-2 years RMB’000	2-5 years RMB’000	More than 5 years RMB’000	Total undiscounted cash flows RMB’000	Total Carrying amount RMB’000
<b>As at 31 December 2022</b>							
Trade and other payables	—	1,083,126	—	—	—	1,083,126	1,083,126
Amount due to a non-controlling shareholder	—	1,123	—	—	—	1,123	1,123
Bank borrowings							
– fixed rate	1.60-3.50	155,860	—	—	—	155,860	153,817
– variable rate	0.32-4.50	341,438	13,416	134,308	—	489,162	463,573
Refund liabilities	—	21,950	—	—	—	21,950	21,950
Convertible loan notes	8.00	430,614	—	—	—	430,614	416,981
Contractual liabilities under issued written put option	8.00	—	—	52,800	—	52,800	43,200
		<u>2,034,111</u>	<u>13,416</u>	<u>187,108</u>	<u>—</u>	<u>2,234,635</u>	<u>2,183,770</u>
Lease liabilities	3.00-7.45	<u>178,986</u>	<u>162,295</u>	<u>454,201</u>	<u>199,764</u>	<u>995,246</u>	<u>839,098</u>
<b>As at 31 December 2023</b>							
Trade and other payables	—	1,191,140	—	—	—	1,191,140	1,191,140
Amount due to a non-controlling shareholder	—	1,123	—	—	—	1,123	1,123
Bank borrowings							
– fixed rate	0.00-3.00	203,429	—	—	—	203,429	202,437
– variable rate	3.00-4.45	197,229	29,736	276,254	—	503,219	460,756
Refund liabilities	—	20,797	—	—	—	20,797	20,797
Contractual liabilities under issued written put option	8.00	—	52,800	—	—	52,800	46,400
		<u>1,613,718</u>	<u>82,536</u>	<u>276,254</u>	<u>—</u>	<u>1,972,508</u>	<u>1,922,653</u>
Lease liabilities	3.00-9.5	<u>199,401</u>	<u>203,183</u>	<u>423,139</u>	<u>161,879</u>	<u>987,602</u>	<u>833,253</u>

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**The Company**

	Weighted average interest rate %	On demand or within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total Carrying amount RMB'000
<b>As at 31 December 2021</b>							
Trade and other payables	—	346,596	—	—	—	346,596	346,596
Amounts due to subsidiaries	—	169,670	—	—	—	169,670	169,670
Amount due to a non-controlling shareholder	—	60,191	—	—	—	60,191	60,191
Bank borrowings							
– fixed rate	0.15-2.00	214,069	—	—	—	214,069	214,058
– variable rate	0.17-4.50	212,766	—	—	—	212,766	212,720
Convertible loan notes	8.00	—	430,614	—	—	430,614	390,572
Contractual liabilities under issued written put option	8.00	—	—	52,800	—	52,800	40,000
		<u>1,003,292</u>	<u>430,614</u>	<u>52,800</u>	<u>—</u>	<u>1,486,706</u>	<u>1,433,807</u>
Lease liabilities	4.75	<u>5,737</u>	<u>3,455</u>	<u>3,576</u>	<u>210</u>	<u>12,978</u>	<u>11,786</u>
<b>As at 31 December 2022</b>							
Trade and other payables	—	524,791	—	—	—	524,791	524,791
Amounts due to subsidiaries	—	36,693	—	—	—	36,693	36,693
Amount due to a non-controlling shareholder	—	1,123	—	—	—	1,123	1,123
Bank borrowings							
– fixed rate	1.60-2.80	142,418	—	—	—	142,418	140,874
– variable rate	0.32-4.50	311,289	13,416	134,308	—	459,013	433,018
Convertible loan notes	8.00	430,614	—	—	—	430,614	416,981
Contractual liabilities under issued written put option	8.00	—	—	52,800	—	52,800	43,200
		<u>1,446,928</u>	<u>13,416</u>	<u>187,108</u>	<u>—</u>	<u>1,647,452</u>	<u>1,596,680</u>
Lease liabilities	4.75	<u>3,173</u>	<u>1,142</u>	<u>2,688</u>	<u>—</u>	<u>7,003</u>	<u>6,362</u>



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	Weighted average interest rate	On demand or within 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at 31 December 2023</b>							
Trade and other payables	—	392,525	—	—	—	392,525	392,525
Amounts due to subsidiaries	—	579,271	—	—	—	579,271	579,271
Amount due to a non-controlling shareholder	—	1,123	—	—	—	1,123	1,123
Bank borrowings							
– fixed rate	1.30-3.00	188,037	—	—	—	188,037	187,010
– variable rate	3.80-4.45	104,495	29,736	276,254	—	410,485	367,597
Contractual liabilities under issued written put option	8.00	—	52,800	—	—	52,800	46,400
		<u>1,265,451</u>	<u>82,536</u>	<u>276,254</u>	<u>—</u>	<u>1,624,241</u>	<u>1,573,926</u>
Lease liabilities	4.75	<u>1,622</u>	<u>1,453</u>	<u>1,695</u>	<u>—</u>	<u>4,770</u>	<u>4,217</u>

Bank loans with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 December 2021, 2022 and 2023 the aggregate carrying amounts of these Group’s bank loans amounted to RMB115,705,000, RMB43,498,000 and RMB43,435,000. Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that all such bank loans will be repaid less than one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

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**Fair value estimation**

The table below analyses the Group’s financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where level 1 inputs are not available, the Group and the Company engage third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

**(i) Fair value of financial instruments that are measured at fair value on a recurring basis**

Some of the Group’s and the Company’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	The Group						The Company				Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value				
	Fair value as at 31 December		Fair value as at 31 December		Fair value as at 31 December		Fair value as at 31 December		Fair value hierarchy	RMB’000				RMB’000	RMB’000	RMB’000	
	2021	2022	2021	2022	2021	2022	2021	2022									
<b>Financial at FVTPL</b>																	
Structured deposits	191,431	70,000	10,000	10,000	191,431	70,000	10,000	10,000	Level 2							N/A	
Foreign exchange forwards	—	447	—	—	—	447	—	—	Level 2							N/A	
Unlisted life insurance policy	7,620	8,619	9,075	9,075	—	—	—	—	Level 3							N/A	
<b>Equity instruments at FVTOCI</b>																	
Listed equity securities	—	20,333	20,978	20,978	—	20,333	20,978	20,978	Level 1							N/A	
Unlisted equity investments	243,031	165,380	177,229	177,229	38,160	8,657	27,663	27,663	Level 3							The higher the expected volatility, the higher the fair value The higher the EV/Revenue multiple, the higher the fair value	
																	EV/Revenue multiple of 0.6x as at 31 December 2023
																	Market approach — Guideline Public Company Method with Enterprise Value to Revenue (“EV/Revenue”) multiple as key inputs as at 31 December 2023

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Financial assets/ financial liabilities	The Group Fair value as at 31 December			The Company Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	2021	2022	2023	2021	2022	2023				
Convertible loan notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Level 3	Binomial tree model using expected volatility as key input	Volatility of 62.72% and 44.78% as at 31 December 2021 and 2022 are estimated based on the historical volatilities of a set of comparable companies	The higher the expected volatility, the higher the fair value
	390,572	416,981	N/A	390,572	416,981	N/A				

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### (ii) Reconciliation of Level 3 fair value measurements

The following table presents the changes in level 3 instruments (except for convertible loan notes as disclosed in Note 34) during the Track Record Period:

	Financial assets at FVTPL	Equity instruments at FVTOCI
	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	7,529	90,458
Purchased/addition	—	124,740
Disposals/settlements	—	(120,907)
Fair value changes	91	148,740
At 31 December 2021	7,620	243,031
Purchased/addition	—	3,063
Disposals/settlements	—	(20,826)
Fair value changes	999	(39,555)
Transfer out of level 3 to level 1 upon the listing of the relevant securities	—	(20,333)
At 31 December 2022	8,619	165,380
Purchased/addition	—	2,650
Disposal/settlements	—	—
Fair value changes	456	9,199
At 31 December 2023	9,075	177,229

### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The directors of the Company consider that the carrying amounts of the Group’s and Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

### 39. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments that are contracted but not provided for:

	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>The Group</b>			
Property, plant and equipment	5,622	2,686	37,662
Capital injection in associates and equity instruments at FVTOCI	36,863	36,924	1,959
	42,485	39,610	39,621

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### 40. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the Historical Financial Information, the Group has following transactions with related parties:

Companies	Relationships	Nature of transactions	For the year ended 31 December		
			2021	2022	2023
			RMB'000	RMB'000	RMB'000
Shenzhen Zbao Logistics Technology Co., Ltd. (深圳市眾包物流科技有限公司)	Associate	Logistic service fees	41,149	3,968	4,974
Zbao International Limited (眾包國際有限公司)	Subsidiary of an associate	Logistic service fees	308,262	180,102	48,772
		Logistic service income	26,284	15,698	8,539
Apeman International Co., Ltd. (Hong Kong) (猿人國際有限公司(香港))	Subsidiary of an associate	Logistic service income	556	6,945	20,338
Shenzhen Hanlv Trading Co., Ltd. (深圳漢旅商貿有限公司)	Associate	Logistic service income	8	4,065	8,291
Ningbo Western Post Logistics Technology Co., Ltd. (寧波西郵物流科技有限公司)	Associate	Logistic service income	—	323	27,989
Shenzhen Aukey Smart Information Technology Co., Ltd. (深圳市傲聲智能有限公司)	Associate	Purchase of goods	10,735	4,803	4,805
Shanghai Jianlong Information Technology Co., Ltd. (上海建隆信息技術有限公司)	Associate	Purchase of goods	57	1,677	—
		Logistic service income	—	16	—
Ningbo Ruiao	Associate	Logistic service income	N/A	N/A	75

#### (a) Guarantees provided by the Group’s related parties and warranties

Certain related parties of the Group have provided guarantees to banks to support the loans provided by these banks to the Group, which is detailed below:

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Mr. Lu, Mr. Ze and Ms. Zhang	250,950	412,026	367,597
Mr. Lu and Mr. Ze	—	—	187,010
Mr. Yu	—	—	5,271

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### (b) Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management during the year was as follows:

	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries and other short-term employee benefits	7,784	12,611	24,702
Retirement benefits	107	180	176
	<u>7,891</u>	<u>12,791</u>	<u>24,878</u>

The remuneration of directors, supervisors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

### 41. PLEDGE OF ASSETS

The Group’s borrowings had been secured by the pledge of the Group’s assets and the carrying amounts of the respective assets are as follows:

	At 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Property, plant and equipment	—	595,731	561,565
Right-of-use assets	—	31,976	30,871
Trade receivables	173,135	57,053	—
Pledged bank deposits	166,578	179,048	11,332
	<u>339,713</u>	<u>863,808</u>	<u>603,768</u>

### 42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Borrowings	Convertible loan notes	Lease liabilities	Amount due to a non- controlling shareholder	Contractual liabilities under issued written put options	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	186,399	—	169,080	—	—	355,479
Financing cash flows	347,769	380,000	(81,624)	60,000	40,000	746,145
New leases	—	—	417,403	—	—	417,403
Exchange adjustments	—	—	(2,532)	—	—	(2,532)
Fair value adjustments	—	3,935	—	—	—	3,935
Interest expenses accrued	8,315	6,637	15,788	191	—	30,931
At 31 December 2021	542,483	390,572	518,115	60,191	40,000	1,551,361
Financing cash flows	60,147	(6,000)	(123,220)	(60,000)	—	(129,073)
New leases	—	—	393,044	—	—	393,044
Exchange adjustments	—	—	26,803	—	—	26,803
Fair value adjustments	—	3,304	—	—	—	3,304
Interest expenses accrued	14,760	29,105	24,356	932	3,200	72,353
At 31 December 2022	617,390	416,981	839,098	1,123	43,200	1,917,792
Financing cash flows	20,295	(430,536)	(184,313)	—	—	(594,554)
New leases	—	—	118,891	—	—	118,891
Exchange adjustments	—	—	18,357	—	—	18,357
Fair value adjustments	—	(7,239)	—	—	—	(7,239)
Interest expenses accrued	25,508	20,794	41,220	—	3,200	90,722

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	Borrowings	Convertible loan notes	Lease liabilities	Amount due to a non- controlling shareholder	Contractual liabilities under issued written put options	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023	663,193	—	833,253	1,123	46,400	1,543,969

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

During the Track Record Period and as at the date of this report, details of the subsidiaries directly and indirectly held by the Company at the end of each reporting period are set out below:

Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
			%	%	%	%	%	%	%	%	
Aukey International Limited (傲基國際有限公司)	Hong Kong	USD320,000	100	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Aukeyhi Technology Co., Ltd. (深圳傲基海科技有限公司)	PRC	RMB5,000,000	100	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Qianhai Gaoya Shengshi Business Management Co., Ltd. (previously known as Qianhai Gaoya Shengshi Enterprise Management (Shenzhen) Co., Ltd) (深圳前海高雅盛世企業管理有限公司) (previously known as 前海高雅盛世投資管理(深圳)有限公司)	PRC	RMB5,000,000	100	100	100	100	—	—	—	—	Investment holding
Hainan Aoji Technology Co., Ltd. (海南傲基科技有限責任公司)	PRC	RMB5,000,000	100	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
%	%	%	%	%	%	%	%	%			
Changchun Chengji Technology Co., Ltd. (長春市誠基科技有限公司)	PRC	RMB2,000,000	100	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Allsight E-business Co., Ltd. (深圳市傲視電子商務有限公司)	PRC	RMB10,000,000	100	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Wenzhou Aukey Technology Co., Ltd. (溫州市傲基科技有限公司)	PRC	RMB10,000,000	100	N/A (Note iv)	N/A (Note iv)	N/A (Note iv)	—	N/A (Note iv)	N/A (Note iv)	N/A (Note iv)	Inactive
Shenzhen Fanttik Technology Innovation Co., Ltd. (“Shenzen Fanttik”) (previously known as Shenzhen Anders Home Co., Ltd) (深圳范泰克科技創新有限公司) (previously known as 深圳市安徒家居有限公司))	PRC	RMB10,000,000	—	70	70	70	69	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Yiya Technology Co., Ltd. (深圳市宜雅科技有限公司)	PRC	RMB1,000,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Muyi Wenshi Trading Co., Ltd. (深圳市木以文飾貿易有限公司)	PRC	RMB1,000,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Weiyi Technology Co., Ltd. (深圳市惟聽科技有限公司)	PRC	RMB1,000,000	N/A (Note vi)	—	—	—	N/A (Note vi)	100	100	100	Operation of Online stores on e-commerce platforms, procurement and sales of products



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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
			%	%	%	%	%	%	%	%	
Shenzhen Ruisheng Trading LTD (深圳市銳聖商貿有限公司)	PRC	RMB10,000	—	—	—	—	100	100	100	100	
Shenzhen Fuxiangyi Technology Co., Ltd. (深圳市富相宜科技有限公司)	PRC	RMB1,000,000	N/A (Note vi)	—	—	—	N/A (Note vi)	100	100	100	Inactive
Shenzhen Maoshun Industrial Co., Ltd. (深圳市貿順實業有限公司) (Note v)	PRC	RMB600,000,000	— (Note v)	100	100	100	—	—	—	—	Real estate management
Shenzhen Jiajiu Logistics Co., Ltd. (深圳市佳久物流有限公司) (Note v)	PRC	RMB600,000,000	—	—	—	—	— (Note v)	100	100	100	Real estate management
WEST POST (SZ) CO. LTD (深圳市西郵智倉科技有限公司)	PRC	RMB14,457,841	48	48	—	—	—	—	48	48	Warehousing, freight forwarding, supply chain management services
WESTERN POST (HK) LIMITED (Note ix)	Hong Kong	HK\$14,457,841	—	—	—	—	48	48	48	48	Warehousing, freight forwarding, supply chain management services
Western Post Group Holding Inc	USA	USD10,000	—	—	—	—	48	48	48	48	Warehousing, freight forwarding, supply chain management services
WESTERN POST (US) LLC (previously known as WEST POST (US) INC) (Note ix)	United States of America (“USA”)	USD10,000	—	—	—	—	48	48	48	48	Warehousing, freight forwarding, supply chain management services
Auklogis Gmbh I.G (Note ix)	Germany	EUR1,000,000	—	—	—	—	48	48	48	48	Warehousing, freight forwarding, supply chain management services

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
			%	%	%	%	%	%	%	%	
Ying Qi E-Business Co., Limited YING QI INTERNATIONAL LIMITED (英企國際有限公司) (Note ix)	Hong Kong	HK\$10,000	—	—	—	—	48	48	N/A (Note vi)	N/A (Note vi)	Warehousing, freight forwarding, supply chain management services
AUKLOGIS UK LTD (Note ix)	United Kingdom (“UK”)	GBP100	—	—	—	—	48	48	48	48	Warehousing, freight forwarding, supply chain management service
Andey International Limited	Japan	Japan Yen 20,000,000	—	—	—	—	—	—	51	51	
Aucoor GmbH (Note ix)	Germany	EUR25,000	N/A (Note vi)	—	—	—	N/A (Note vi)	48	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
WESTERN POST (SG) PTE. LTD. (Note ix)	Singapore	USD14,457,841	N/A (Note vi)	—	48	48	N/A (Note vi)	48	—	—	Warehousing, freight forwarding, supply chain management services
Broadcare International Limited (博禮國際有限公司)	Hong Kong	USD200,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
AICOOK MENA DMCC	Dubai	Dirham 100,000	—	—	—	—	100	100	100	100	Inactive
Aukey Group Holding Limited	USA	USD250,000	—	—	—	—	100	100	100	100	Inactive
ACE FARMER LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive
NEXTFUR LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
%	%	%	%	%	%	%	%	%			
Central Power International Limited LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Vansiho LLC (previously known as Aukey Home Solutions LLC)	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive
Redux Air LLC	USA	USD100,000	—	—	—	—	100	100	N/A <i>(Note vi)</i>	N/A <i>(Note vi)</i>	Inactive
UTTU Sleep Technology Limited (安徒睡眠科技有限公司)	Hong Kong	Hong Kong dollars (“HK\$”) 1,000,000	—	—	—	—	100	100	N/A <i>(Note vi)</i>	N/A <i>(Note vi)</i>	Inactive
AXZ Group Holdings Inc	USA	USD500,000	—	—	—	—	N/A <i>(Note vi)</i>	100	100	100	Inactive
Yueqing Aukey Technology Co., Ltd (樂清市傲基科技有限公司)	PRC	RMB1,000,000	—	—	—	—	100	N/A <i>(Note vi)</i>	N/A <i>(Note vi)</i>	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Suzhou Fanttik Technology Co., Ltd. (previously known as Suzhou Aoji Information Technology Co., Ltd.) (蘇州范泰克科技有限公司) (previously known as 蘇州市傲基信息科技有限公司)	PRC	RMB500,000	100	—	—	—	—	70	70	70	Operation of online stores on e-commerce platforms, procurement and sales of products
Restu LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive
Wowme LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Irene Gene LLC	USA	USD100,000	—	—	—	—	100	100	N/A <i>(Note vi)</i>	N/A <i>(Note vi)</i>	Inactive
Physpo Care LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
%	%	%	%	%	%	%	%	%			
Aiken LLC (previously known as Ohwill LLC)	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive
KBJ Trading LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Auwin International Limited (傲盈國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Inactive
Fantik Innovation Limited, (previously known as Auresh International Limited) (范泰克創新有限公司) (previously known as 傲尚國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	70	70	70	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Autral Technology Innovation Co., Ltd (深圳傲創科技創新有限公司)	PRC	RMB1,000,000	N/A	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Ningbo Auwin Technology Co., Ltd. (寧波傲盈科技有限公司)	PRC	RMB1,000,000	N/A (Note vi)	100	100	100	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Autral International Limited (傲創國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Ausum Electronic Technology Limited (previously known as Ausing International Limited) (傲森電子科技有限公司) (previously known as 傲興國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	51	51	Operation of online stores on e-commerce platforms, procurement and sales of products

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
%	%	%	%	%	%	%	%	%			
AOQI TECHNOLOGY INTERNATIONAL LIMITED (傲愨科技國際公司) (previously known as Auray International Limited) (previously known as 傲睿國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Shenzhen Aoqi Technology Co., Ltd (深圳市傲愨科技有限公司)	PRC	RMB10,000	N/A	N/A	75	75	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Aulong International Limited (傲隆國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Auson International Limited (傲祥國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Aucome International Limited (傲康國際有限公司)	Hong Kong	HK\$10,000	—	—	—	—	100	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Hulkman LLC	USA	USD100,000	—	—	—	—	100	100	100	100	Inactive
Bold Rise Innovations LLC (previously known as Qlk Trading Co LLC)	USA	USD100,000	—	—	—	—	80	80	100	100	Inactive
Redux Air LLC	USA	USD100,000	—	—	—	—	100	100	N/A (Note vii)	N/A (Note vii)	Operation of online stores on e-commerce platforms, procurement and sales of products

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Name of the subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by the Company								Principal activities
			Directly				Indirectly				
			2021	2022	2023	Date of report	2021	2022	2023	Date of report	
%	%	%	%	%	%	%	%	%			
Aukey (Shenzhen) Industrial Co., Ltd. (傲基(深圳)實業有限公司)	PRC	RMB1,000,000	—	—	—	—	100	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Ahccor Limited	UK	Great Britain Pound 100,000	—	—	—	—	100	N/A (Note iv)	N/A (Note iv)	N/A (Note iv)	Inactive
Auffluent International Limited (傲澧國際有限公司)	Hong Kong	HK\$10,000	—	N/A (Note viii)	N/A (Note viii)	N/A (Note viii)	100	N/A (Note viii)	N/A (Note viii)	N/A (Note viii)	Operation of online stores on e-commerce platforms, procurement and sales of products
Homabor LLC	USA	USD100,000	—	—	—	—	N/A (Note vi)	100 (Note vii)	N/A (Note vii)	N/A (Note vii)	Inactive
Metasee LLC	USA	USD100,000	—	—	—	—	N/A (Note vi)	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
Sunton GmbH	Germany	EUR25,000	—	—	—	—	N/A (Note vi)	100	100	100	Operation of online stores on e-commerce platforms, procurement and sales of products
S2E, Inc.	USA	USD30,000	—	—	—	—	N/A (Note v)	91	91	91	Operation of online stores on e-commerce platforms, procurement and sales of products
AUSUM MOTOR TECHNOLOGY CO., LIMITED (深圳市傲森汽車科技有限公司)	PRC	RMB300,000	N/A	N/A	51%	51%	—	—	—	—	Operation of online stores on e-commerce platforms, procurement and sales of products
Xiamen Lanjing Wave Breaking Enterprise Management Partnership (Limited partnership) (廈門藍鯨破浪企業管理合夥企業(有限合夥))	PRC	RMB126,000,000	74.40	74.40	74.40	74.40	—	—	—	—	Investment holding

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The English translation of the names of the above companies is for reference only. The official names of these entities are in Chinese.

As at 31 December 2021, 2022 and 2023, there are 515, 433 and 249 companies, with no assets and liabilities, paid-up capital and business operation, established solely for the purpose of registration of seller stores on e-commerce platforms. These companies are indirectly wholly-owned subsidiaries of the Company, respectively. In the opinion of the Directors, these companies do not principally affect the results of assets of the Group, to give details of these subsidiaries would result in particular of excessive length.

*Notes:*

- (i) None of the subsidiaries had issued any debt securities as at the end of each of reporting period.
- (ii) The financial statements of the Group's subsidiaries established in the PRC and Hong Kong were prepared in accordance with the relevant accounting principles and regulations in the PRC and Hong Kong. The financial statements for below subsidiaries for the years ended 31 December 2021 and 2022 were audited by the following certified public accountants registered in the PRC and Hong Kong:

Name of company	Year ended 31 December 2021
Aukey International Limited	Y.T.Lo & Co Ltd Certified Public Accountants (Practising)
Shenzhen Aukeyhi Technology Co., Ltd.	Da Hua CPAs LLP Shenzhen Branch
Hainan Aukey Technology Co., Ltd.	Da Hua CPAs LLP Shenzhen Branch
Changchun Chengji Technology Co., Ltd.	Jilin Renhe Certified Public Accountants Co., Ltd.
Western Post (HK) Limited	LEE CHI FAI & CO.

Name of company	Year ended 31 December 2022
Aukey International Limited	Y.T.Lo & Co Ltd Certified Public Accountants (Practising)
Broadcare International Limited	Y.T.Lo & Co Ltd Certified Public Accountants (Practising)
Fantech Innovation Co., Ltd.	Y.T.Lo & Co Ltd Certified Public Accountants (Practising)
Shenzhen Aukeyhi Technology Co., Ltd.	Da Hua CPAs LLP Shenzhen Branch
Changchun Chengji Technology Co., Ltd.	Jilin Renhe Certified Public Accountants Co., Ltd.
Shenzhen Western Post Intelligent Warehouse Technology Co., Ltd.	Da Hua CPAs LLP Shenzhen Branch
Western Post (HK) Limited	KAIZEN CPA LIMITED

- (iii) Other than mentioned in (ii), no audited financial statements of other entities comprising the Group have been prepared since there are no statutory audit requirements in those jurisdictions or the corresponding statutory audits have not been completed.
- (iv) The entity had been deregistered during the year ended 31 December 2022.
- (v) The entity was acquired during the year ended 31 December 2022.
- (vi) The entity was established during the year ended 31 December 2022.
- (vii) The entity had been deregistered during the year ended 31 December 2023. The gain or loss arising on the deregistration is insignificant.
- (viii) The entity had been disposed of during the year ended 31 December 2022. The gain or loss arising on the disposal is insignificant.
- (ix) The entity is one of the subsidiaries of the Western Post Group as defined in Note 43(b).
- (x) All of the Group's subsidiaries incorporated in the PRC are wholly domestic entities.

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## ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of incorporation and main operation	Proportion of non-controlling interests held by equity holders			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		31 December 2021	31 December 2022	31 December 2023	31 December 2021	31 December 2022	31 December 2023	31 December 2021	31 December 2022	31 December 2023
		%	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
WESTERN POST (SG) PTE. LTD./										
Shenzhen Western Post Intelligent Warehouse Technology Co., Ltd. and its subsidiaries (“Western Post Group”) (Note)	PRC Warehousing, freight forwarding, supply chain management services	52	52	52	(9,199)	6,834	(2,447)	9,922	16,756	14,309
Individually immaterial subsidiaries with non-controlling interests								2,329	2,250	(3,736)
								12,251	19,006	10,573

*Note:* During the year ended 31 December 2021, the Group had disposed of its 20.08% equity interest in Western Post Group to non-controlling Shareholders at a consideration of RMB16,634,000. Upon the completion of this partial disposal, the Group reduced its equity interest in Western Group from 68.08% to 48% as at 31 December 2021. The difference between the consideration and the proportionate net assets released upon this partial disposal of RMB2,297,000 was credited to other reserve. Although the Group has only 48% ownership in the Western Post Group, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of the Western Post Group with sole director delegated by the Company.

The financial information of subsidiaries in which the Group has significant non-controlling interests is summarised below. The following summarised financial information shows the pre-offset amounts within the Group.

	At 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Western Post Group</b>			
Current assets	312,831	430,171	464,694
Non-current assets	502,672	842,579	838,847



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	<b>At 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities	360,949	529,431	587,595
Non-current liabilities	421,716	697,339	674,672
Net assets	32,838	45,980	41,274
Non-controlling interests of Western Post Group	9,922	16,756	14,309
	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,104,639	1,458,351	2,393,750
Expense	1,106,254	1,449,936	2,399,390
Total comprehensive (expense) income	(1,237)	13,142	(4,706)
(Loss) profit attributable to the non-controlling interests of Western Post Group	(8,916)	4,376	(2,933)
Other comprehensive (expense) income attributable to the non-controlling interests of Western Post Group	(283)	2,458	486
Total comprehensive (expense) income attributable to the non-controlling interests of Western Post Group	(9,199)	6,834	(2,447)
Net cash (outflow) inflow (used in) from operating activities	(27,130)	131,304	55,220
Net cash outflow used in investing activities	(12,274)	(59,588)	(13,733)
Net cash inflow from financing activities	55,725	1,780	5,273
Effects of foreign exchange rate changes	(605)	2,344	1,384
Net cash inflow	15,716	75,840	48,144

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**(c) Change in ownership interest in a subsidiary**

During the year ended 31 December 2022, the Group disposed 30% of its equity interest in its then wholly owned subsidiary, Shenzhen Fantech, at a consideration of RMB70,920,000 to an employee. An amount of RMB1,302,000 (being the proportionate share of the carrying amount of the net liability of Shenzhen Fantech Technology Innovation Co., Ltd.) has been transferred to non-controlling interests. The difference of RMB72,222,000 between the decrease in the non-controlling interests and the consideration receivable (included in other receivables) which was secured by a pledge of the shares of the Company and Shenzhen Fantech has been credited to other reserve.

**44. EVENT AFTER THE END OF THE REPORTING PERIOD**

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**45. SUBSEQUENT FINANCIAL STATEMENTS**

[None of the audited financial statements of the Group and the Company or any of its subsidiaries were prepared for any period after 31 December 2023.]

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**APPENDIX II                      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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*The information set out in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this document, and is included in this document for information only.*

*The unaudited [REDACTED] financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document prospectively.*

[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

## APPENDIX III

## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

### THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as the “Constitution (《憲法》)”) and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People’s Republic of China (《中華人民共和國立法法》) (the “Legislation Law”), which was amended by the National People’s Congress (the “NPC”) and became effective on March 15, 2023, the NPC and the Standing Committee of the National People’s Congress (The “SCNPC”) are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts shall be submitted to the standing committees of the people’s congresses of provinces and autonomous regions for approval before implementation. The standing committees of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries,



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commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on June 10, 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations

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## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

### PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to The Constitution and the Law of Organization of the People's Procuratorate of the PRC “《中華人民共和國人民檢察院組織法》” revised by SCNPC on October 26, 2018 and taking effect on January 1, 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the “PRC Civil Procedure Law”) adopted by the SCNPC on December 24, 2021 and became effective on January 1, 2022 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures

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## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

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for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

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### THE PRC COMPANY LAW AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company incorporated in the PRC seeking a list on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is mainly subject to the following laws and regulations of the PRC:

The PRC Company Law (《中華人民共和國公司法》) (hereinafter referred to as the "Company Law") was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on December 29, 1993 and came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, which will become effective from July 1, 2024, respectively. The latest revised Company Law came into effect on October 26, 2018.

According to the Guidelines on the Application of Regulatory Rules – No. 1 for Overseas Offering and Listing (《監管規則適用指引-境外發行上市類第1號》) which was promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, the domestic companies that directly offer and list securities in overseas markets, shall formulate their articles of association in line with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (hereinafter referred to as the "PRC Guidelines on AoA") promulgated by the CSRC on March 16, 2006 and latest amended on January 5, 2022.

Set out below is a summary of the major provisions of the Company Law and the PRC Guidelines on AoA which are applicable to the Company.

#### General Provisions

"A joint stock limited company" means is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

#### Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

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The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up, and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority. A joint stock limited company established by the subscription method shall obtain the approval for listing from the securities regulatory authority of the State Council and submit the approval to the company registration authority.

A joint stock limited company's promoters shall be liable for: (1) the payment of debts and expenses incurred in the incorporation process jointly and severally if a company cannot be incorporated; (2) the refund of subscription monies paid by the subscribers, together with interest, at bank rates of deposit for the same period jointly and severally if a company cannot be incorporated; and (3) the compensation of any damages suffered by a company as a result of the default of the promoters in the course of its establishment.

### **Registered Shares**

Under the Company Law, shareholders may make capital contributions in cash, or with non- monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights or land use rights.

Under the Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of a shareholder; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

### **Increase in Share Capital**

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders. When a company launches a list of new shares under the permission of the securities regulatory authority of the State Council, it must publish a document for the new shares and financial and accounting reports, and prepare the share subscription form. After payment in full for the new shares issued, a company must change its registration with a company registration authority and make an announcement accordingly.

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### Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (1) To prepare a balance sheet and a property list.
- (2) A company makes a resolution at shareholders' general meeting to reduce its registered capital.
- (3) A company shall inform its creditors within 10 days and publish an announcement in newspapers within 30 days after the approval of resolution of reducing registered capital.
- (4) The creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice.
- (5) When a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

### Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

- (1) reducing the registered capital;
- (2) merging with other company that holds the shares of the Company;
- (3) using the shares for employee stocks plan or equity incentives;
- (4) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;
- (5) using the shares for the conversion of convertible corporate bonds issued by the listed company;
- (6) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

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The purchase of shares of a company for reasons specified in the case of (1) to (2) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (3), (5) and (6) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or the authorization from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (1) above; such shares shall be transferred or canceled within six months in the case of items (2) and (4) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (3), (5) and (6) above.

### **Transfer of Shares**

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should effect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be effected during a period of 20 days prior to the convening of shareholder's general meeting or 5 days prior to the record date for a company's distribution of dividends. However, if any law provides otherwise for the registration of changes in the register of members of a listed company, such provisions shall prevail. The transfer of bearer share certificates shall become effective upon delivery of such share certificates to the transferee by the shareholder.

Under the Company Law, shares in the Company held by promoters shall not be transferred within one year after the date of establishment of a company. Shares issued by a company prior to the listed of shares shall not be transferred within one year from the date on which the shares of a company are listing on a securities exchange. Directors, supervisors and senior management of a company shall declare to a company their shareholdings in a company and any changes of such shareholdings, and the shares transferred each year during their term of office shall not exceed 25% of the total shares they hold in a company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listed on a securities exchange, nor within six months after their resignation from their positions with a company.

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### Shareholders

Under the Company Law, the rights of a shareholder of ordinary shares of a company include:

- (1) to receive dividends and other forms of distributions in proportion to their shareholdings;
- (2) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;
- (3) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;
- (4) to transfer, donate or pledge shares in accordance with laws, administrative regulations and the provisions of the Articles of Association;
- (5) to inspect the company's Articles of Association, register of shareholders, counterfoil of creditor's rights, minutes of shareholders' meeting, resolutions of the board of directors, resolutions of the supervisory board and financial and accounting reports;
- (6) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;
- (7) any shareholder who has a different view on a resolution on the merger or division of the company made by a shareholders' general meeting has the right to require the company to acquire its shares; and
- (8) other rights conferred by laws, administrative regulations and the Articles of Association.

The obligations of a shareholder of ordinary shares of a company include:

- (1) to comply with the Articles of Association;
- (2) to pay subscription money according to the number of shares subscribed and the method of subscription;
- (3) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;
- (4) other obligations conferred by laws, administrative regulations and the Articles of Association.



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### Shareholder's General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

- (1) to decide on a company's business policies and investment plans;
- (2) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to the remuneration of directors and supervisors;
- (3) to examine and approve reports of the board of directors;
- (4) to examine and approve reports of the supervisory committee or supervisors;
- (5) to examine and approve a company's annual financial budget and final accounts;
- (6) to examine and approve a company's profit distribution plans and loss recovery plans;
- (7) to resolve on the increase or reduction of a company's registered capital;
- (8) to resolve on the issuance of corporate bonds;
- (9) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (10) to amend the a company's Articles of Association;
- (11) other functions and powers specified in provision of the Articles of Association.

Under the Company Law, annual shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (1) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;
- (2) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;
- (3) shareholders individually or jointly holding 10% or more of the company's shares request;

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- (4) when deemed necessary by the Board;
- (5) the Supervisory Committee proposes to convene the meeting;
- (6) other circumstances as stipulated in the Articles of Association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by a company are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the Articles of Association or the resolutions of the shareholders' general meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

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Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

### **Directors and Board of Directors**

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to nineteen members. The term of office of a director shall be stipulated in the Articles of Association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

- (1) to convene shareholder's general meetings and report its work to the shareholder's general meetings;
- (2) to implement the resolutions of the shareholder's general meeting;
- (3) to decide on a company's business plans and investment plans;
- (4) to formulate a company's annual financial budget and final accounts;
- (5) to formulate a company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;
- (7) to formulate plans for merger, division, dissolution or change of corporate form of a company;
- (8) to decide on the internal management structure of a company;
- (9) to decide on the appointment or dismissal of the manager of a company and their remuneration;
- (10) To decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

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- (11) to formulate a company's basic management system;
- (12) other functions and powers specified in the Articles of Association.

In addition, the PRC Guidelines on AoA stipulate that the board of directors shall also be responsible for the formulation of the company's amendment plan to the Articles of Association. The meeting of the board of directors can be held only when half of the directors are present. Half of the directors shall approve the resolution of the board of directors. If a director fails to attend a meeting of the board of directors, he may entrust another director to attend the meeting on behalf of him by a power of attorney which specifies the scope of his authority.

If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the Company Law, a person may not serve as a director of a company if he is:

- (1) a person without capacity or with restricted capacity;
- (2) a person who has been sentenced to criminal punishment due to corruption, bribery, infringement of property, misappropriation of property or destruction of the socialist market economic order, where less than five years have elapsed since the date of completion of the sentence; or a person who has been deprived of his political rights due to a crime, where less than five years have elapsed since the date of completion of the sentence;
- (3) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (4) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise; and
- (5) persons who have a relatively large amount of debts due and outstanding.

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The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

- (1) to preside over shareholders' general meetings and convene and preside over board meetings;
- (2) to examine the implementation of resolutions of the Board;
- (3) to sign the securities issued by a company;
- (4) to exercise other powers conferred by the Board.

According to the PRC Guidelines on AoA, the directors shall bear the responsibility of loyalty and diligence.

### **Supervisors and Supervisory Committee**

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the Articles of Association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

- (1) to examine the company's financial affairs;
- (2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings;
- (3) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;
- (4) to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

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- (5) to submit proposals to the shareholders' general meeting;
- (6) to initiate legal proceedings against directors and senior management in accordance with the Company Law;
- (7) other functions and powers specified in the Articles of Association.

According to the PRC Guidelines on AoA, the supervisors of the company shall comply with laws, administrative regulations and the Articles of Association and bear the responsibility of loyalty and diligence. They shall not take any bribe or other illegal gains by taking advantage of their authority and shall not take illegal possession of the company property.

### **Managers and Senior Management**

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- (1) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors;
- (2) to organize the implementation of the company's annual business plans and investment plans;
- (3) to formulate plans for the establishment of the company's internal management structure;
- (4) to draft the company's basic management system;
- (5) to formulate the basic rules and regulations of the company;
- (6) to propose the appointment or dismissal of the company's deputy manager and financial controller;
- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors; and
- (8) to exercise other powers conferred by the Articles of Association and the Board.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the Articles of Association of the company.

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According to the PRC Guidelines on AoA, the company's Articles of Association are binding on the company's managers and other management personnel. According to the PRC Guidelines on AoA, the senior management shall have responsibility of loyalty and shall faithfully perform their respective duties and safeguard the best interests of the company and all the shareholders. The senior management fails to perform his/her duties faithfully or breaches his/her obligation of good faith and causes losses to the company or public shareholders, the senior management shall be liable for compensation.

### **Finance and Accounting**

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the Company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the general meeting or the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

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The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. However, the capital reserve shall not be used to make up the company's losses. When the statutory reserve fund is converted into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

### **Appointment and Dismissal of Accounting Firms**

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

According to the PRC Guidelines on AoA, a company shall engage an accounting firm which is qualified with The Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The term of engagement is one year and may be extended.

### **Profit Distribution**

Under the Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is drawn.

### **Dissolution and Liquidation**

According to the Company Law, a company shall be dissolved for the following reasons:

- (1) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (2) the general meeting or the shareholders' general meeting resolves to dissolve the company;
- (3) dissolution is necessary due to a merger or division of the company;
- (4) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;



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- (5) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

Where the company is dissolved in accordance with sub-paragraph (1) above, it may carry on its existence by amending its articles of association, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the Company is dissolved pursuant to sub-paragraphs (1), (2), (4) or (5) above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of an event of dissolution. The liquidation committee of a joint stock limited company shall be composed of directors or the personnel determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period to conduct liquidation, the creditors may apply to the people's court to appoint relevant personnel to form a liquidation committee to conduct liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- (1) to liquidate the company's property and respectively prepare balance sheet and list of property;
- (2) to notify creditors by notice or public announcement;
- (3) to deal with the outstanding business of the company involved in the liquidation;
- (4) to pay all outstanding taxes and taxes arising in the course of liquidation;
- (5) to liquidate claims and debts;
- (6) to deal with the remaining property of the company after paying off debts;
- (7) to participate in civil litigations on behalf of the company.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

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During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall apply to the people's court for a declaration of insolvency. After the people's court has declared the company bankrupt, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration and to announce the termination of the company.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

### **Loss of Share Certificates**

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

### **SECURITIES LAWS AND REGULATIONS**

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating listing of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

## APPENDIX III

## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on April 22, 1993 provide the application and approval procedures for listing of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on December 25, 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (hereinafter referred to as the “PRC Securities Law”), which was amended by the Standing Committee of the NPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

### OVERSEAS LISTING

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) together with 5 supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the “Overseas Listing Regulations”). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and

## APPENDIX III

## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

### FULL CIRCULATION OF H SHARES

Pursuant to the Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (2023 Amendment) (《H股公司境內未上市股份申請“全流通”業務指引(2023修正)》), or the Guidelines for the “Full Circulation”, promulgated and implemented by the CSRC on November 14, 2019 and revised on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於<境內企業境外發行證券和上市管理試行辦法>的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out “full circulation” arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

According to the Overseas Listing Trial Measures, “Full Circulation” represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. The shareholders of domestic unlisted shares shall authorize the domestic company to file the “Full Circulation” application with CSRC by filing materials on key compliance issues, including whether the “Full Circulation” has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the “Full circulation” involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

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## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

According to the Measures for Implementation of H-share “Full Circulation” Business (《H股“全流通”業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants, services of nominal holders, etc. in relation to the H-share “full circulation business”, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

In order to fully promote the reform of H-shares “Full Circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, the CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈《H股“全流通”業務指南》的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

### ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “Arbitration Law”) was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral

## APPENDIX III

## SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangements of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000, and Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), which promulgated on December 26, 2020. In accordance with these arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

### JUDICIAL JUDGMENT AND ITS ENFORCEMENT

On July 14, 2006, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the PRC court and Hong Kong court. The 2006 Arrangement was superseded upon the effectiveness of the 2019 Arrangement on January 29, 2024.

## APPENDIX IV

## SUMMARY OF THE ARTICLES OF ASSOCIATION

*This appendix contains a summary of the main provision of the Articles of Association of the Company adopted on March 19, 2024, which will take effect from the date of the Listing of H Shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential investors.*

### SHARES AND REGISTERED CAPITAL

The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry the equal rights.

Shares of the same class issued at the same time shall be issued under the same condition and at the same price. Shares subscribed by any entity or individual shall be paid for at the same consideration.

### INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

#### Increase of Capital

The Company may, based on its operating and development needs, increase its capital in the following ways pursuant to the requirements of laws and regulations and subject to the resolutions separately passed at the general meetings:

- (i) by public offering of shares;
- (ii) by non-public offering of shares;
- (iii) by allotting bonus shares to its existing shareholders;
- (iv) by converting common reserve fund into share capital;
- (v) by any other means which is stipulated by law and administrative regulations and approved by the CSRC.

#### Reduction of Capital

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The Company shall reduce its registered capital in accordance with the PRC Company Law and other relevant regulations as well as the procedures stipulated in the Articles of Association.

The Company shall inform its creditors of the reduction in capital within ten (10) days and make public announcements in newspapers within thirty (30) days after the resolution approving the reduction has been adopted. The creditors shall, within thirty (30) days since the date of receiving a written notice or within forty five (45) days since the date of the public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

The registered capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

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### **Repurchase of Shares**

The Company shall not repurchase its shares in accordance with the laws and regulations, the Articles of Association and the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, except in the following circumstances:

- (i) to reduce its registered capital;
- (ii) to merge with another company that holds the shares;
- (iii) to utilize shares in the employee share ownership scheme or for share incentive;
- (iv) to acquire the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;
- (v) to use the shares in the conversion of the convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to protect its value and the shareholders' equity;
- (vii) Other circumstances permitted by laws, regulations and regulatory rules of the place where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items (i) and (ii) of the preceding paragraph, it shall be subject to the resolution of the general meeting; where the Company repurchases its shares under the circumstances set out in items (iii), (v) and (vi) of the preceding paragraph, it shall be subject to the resolution of the Board meeting attended by more than two-thirds (2/3) of the directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting.

The shares repurchased by the Company in accordance with the paragraph 1 shall be processed in the following ways: for the circumstance in item (i), such shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (ii) or (iv), such shares shall be transferred or canceled in six months; for the circumstance in item (iii), (v) or (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred to employees or canceled in three years.

### **TRANSFER OF SHARES**

The promoters' shares of the Company shall not be transferred within one (1) year from the date of the establishment of the Company. Shares issued by the Company prior to its public offering shall not be transferred within one (1) year as of the date on which the shares are listed and traded in a stock exchange.

The Directors, supervisors, and senior management of the Company shall regularly declare the number of shares held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares of the Company held by them. The shares of the Company held by them shall not be transferred within one (1) year as of the listing date of the shares of the Company. The shares of the Company held by them shall not be transferred within six months after their resignation. Where the rules of the stock exchange where the Company's shares are listed have other provisions on the transfer of shares, such provisions shall also be complied with.

The Company shall not accept its own shares as collateral.



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## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

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### RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

#### Shareholders

The Company shall establish a register of shareholders with the information provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the holding of the shares of the Company by the shareholders. A shareholder shall enjoy the rights and assume the obligations attached to the class of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume equal obligations.

#### Rights and Obligations of Shareholders

Shareholders of the Company shall entitle the following rights:

- (i) to the Company for dividends and other forms of profit distribution according to the proportion of shares they hold;
- (ii) to request, convene, hold, participate or authorize proxies to attend shareholders' general meeting, and to exercise voting rights according to the proportion of shares they hold;
- (iii) to supervise the business operations of the Company and to make suggestions or inquiries;
- (iv) to transfer, give or pledge the shares held by them in accordance with the laws and regulations, the Listing Rules and the Articles of Association;
- (v) to inspect Articles of Association, all of the register of Shareholders, counterfoils of corporate bonds, resolutions of the Board meetings, resolutions of the Supervisory Committee meetings, financial and accounting reports and minutes of general meetings;
- (vi) To participate in the distribution of the remaining property of the Company according to the proportion of shares they hold when the Company is terminated or liquidated;
- (vii) To require the Company to buy back its shares in the event that shareholders objecting to resolutions of the general meeting concerning merger or division of the Company satisfy the requirements of the Articles of Association and relevant laws and regulations on the procedures for share buy-back by the Company;
- (viii) The Shareholders holding more than three percent (3%) of the shares of the Company separately or jointly have the right to raise a temporary proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' general meeting is held; and
- (ix) Other rights set out in laws and regulations and the Articles of Association.

A shareholder requesting for inspection of information or access to materials referred to in the preceding Article shall produce to the Company written documents evidencing the class and number of shares that the shareholder holds. The Company shall provide such information and materials as requested by the shareholder after confirming the identity of the shareholder.

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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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Shareholders of the Company shall assume the following obligations:

- (i) to abide by the laws and regulations and the Articles of Association;
- (ii) to make a capital contribution according to the shares they subscribe for and the capital participation method;
- (iii) not to withdraw shares unless otherwise provided by laws and regulations;
- (iv) not to abuse their shareholders' rights to harm the Company's or other shareholders' interests; not to abuse the Company's legal person status or the shareholders' limited liability to harm the interests of the Company's creditors;
- (v) Other obligations to be assumed by the Shareholders according to the laws and regulations and the Articles of Association.

If a shareholder abuses his/her shareholder rights and causes a loss to the Company or other shareholders, he or she shall be held liable for damages in accordance with laws. If a shareholder abuses the independent legal person status of the Company or the limited liability of shareholders in order to evade debts and thereby seriously damages the interests of the Company's creditors, he or she shall assume joint and several liability for the Company's debts.

### **SHAREHOLDERS' GENERAL MEETING**

#### **General rules for the Shareholders' General Meeting**

The general meeting acts as the supreme authority of the Company which, according to laws, exercises the following functions and power:

- (i) to decide on the Company's operational policies and investment plans;
- (ii) to elect and replace the directors and supervisors assumed by non-representatives of the employees and decide on matters relating to the remuneration of the directors and supervisors;
- (iii) to review and approve the reports of the board of directors;
- (iv) to review and approve the reports of the board of supervisors;
- (v) to review and approve the Company's proposed annual financial budget and final accounts;
- (vi) to review and approve the Company's profit distribution plans and loss recovery plans;
- (vii) to decide on the increase or reduction of the Company's registered capital;
- (viii) to decide on the issue of bonds by the Company;
- (ix) to decide on merger, division, dissolution, liquidation of the Company, or changes in the form of the Company;
- (x) to amend these Articles of Association;

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## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (xi) to decide on the appointment or dismissal of the accounting firms of the Company;
- (xii) to review and approve the transaction-related matters stipulated in Article 43;
- (xiii) to review and approve the security-related matters stipulated in Article 44;
- (xiv) to review the matters of purchase and/or sale by the Company within one year of significant assets exceeding 30% of the latest audited total assets of the Company;
- (xv) to review and approve the related party transaction matters (except for receipt of a donation in the form of cash assets and granting of guarantee by the Company) the amount of which between the Company and any of its related parties is more than 30 million yuan and accounts for more than 5 percent of the absolute value of the latest audited net assets of the Company;
- (xvi) to review stock incentive plans and employee stock ownership plans;
- (xvii) to review and approve the change of the use of the raised funds;
- (xviii) to review other matters which, according to laws, administrative regulations, departmental rules or these Articles of Association, are subject to shareholders' approval in general meetings;

The Company shall convene an extraordinary general meeting within two (2) months in any of the following cases:

- (i) When the number of Directors is less than the number prescribed by the PRC Company Law or less than two-thirds (2/3) of the amount required by these Articles of Association;
- (ii) When the Company's uncovered losses amount to one-third (1/3) of the total paid-up share capital;
- (iii) When Shareholders, individually or collectively, holding more than ten percent (10%) of the voting shares of the Company request;
- (iv) When the Board of Directors deems it necessary or when the Board of Supervisors proposes to convene it;
- (v) Other circumstances as stipulated by laws, regulations, the listing rules of the place where the Company's shares are listed or these Articles of Association.

### **The Convening of the General Meeting**

The independent non-executive Directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. In response to a proposal by an independent non-executive Director to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws and regulations, the Listing Rules and these Articles of Association, provide written feedback within ten (10) days after receiving the proposal to agree or disagree with the convening of the extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it will issue a notice of the convening of the general meeting within five (5) days after making a resolution of the Board of Directors.

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The Board of Supervisors has the right to propose to the Board of Directors to convene an extraordinary general meeting, and shall make such proposal in writing. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules and these Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary general meeting within ten (10) days after receiving the proposal.

Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company may sign written requests to the Board of Directors for the convening of an extraordinary general meeting. The Board of Directors shall, in accordance with the laws and regulations, the Hong Kong Listing Rules and these Articles of Association, provide written feedback within ten (10) days after receiving the request, whether it agrees or does not agree to convene an extraordinary general meeting.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall, within five (5) days after making a resolution of the Board of Directors, issue a notice to convene the general meeting, and any changes to the original request in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Directors does not agree to convene an extraordinary general meeting, or does not provide feedback within ten (10) days after receiving the request, shareholders, individually or collectively, holding more than ten (10) percent of the shares of the Company shall have the right to propose to the Board of Supervisors the convening of an extraordinary general meeting, and shall submit their request in writing to the Board of Supervisors.

If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall, within five (5) days after receiving the request, issue a notice convening the general meeting, and any changes to the original proposal in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Supervisors fails to issue a notice of a general meeting within the prescribed period, it shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company for more than ninety (90) consecutive days may convene and preside over the general meeting on their own. The shareholding of the convening shareholder shall not be less than ten percent (10%) before the announcement of the resolution of the general meeting.

### **Notices of the Shareholders' General Meeting**

The convener shall notify all shareholders of the time, place and matters to be considered at the meeting at least twenty-one (21) calendar days prior to the annual general meeting, and shall notify all shareholders of the time, place and matters to be considered at the meeting fifteen (15) calendar days prior to the extraordinary general meeting.

The specific details of all proposals shall be adequately and fully disclosed in the notice of the shareholders' general meeting.

The notice of the general meeting shall meet the following requirements:

- (i) the time, venue and duration of the meeting;
- (ii) subject matters and proposals submitted for consideration and approval at the meeting;

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## APPENDIX IV SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (iii) particulars shall be in clear text that all shareholders are entitled to attend general meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;
- (iv) the equity registration date of the shareholders who are entitled to attend on the general meetings;
- (v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;
- (vi) online or other means of voting time and voting procedures;
- (vii) other requirements stipulated by laws and regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association.

### **Resolutions at the General Meeting**

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be adopted by more than half (1/2) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

Special resolutions of the general meeting shall be adopted by more than two-thirds (2/3) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

- (i) work reports of the board of directors and the board of supervisors;
- (ii) proposals formulated by the board of directors for distribution of profits and for making up accrued losses;
- (iii) appointment and removal of members of the board of directors and the board of supervisors, their remuneration and method of payment of their remuneration;
- (iv) annual budget and final accounts of the Company;
- (v) annual report of the Company;
- (vi) all matters required to be approved by a general meeting other than those required to be approved by way of special resolution under any laws, regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association.

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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The following matters shall be resolved by way of special resolution of the general meeting:

- (i) the increase or reduction of the registered capital by the Company;
- (ii) the merger, spin-off, division, dissolution, or liquidation of the Company;
- (iii) the amendment to these Articles of Association;
- (iv) the amount of purchase and the sale of major assets or the guarantee by the Company within one year exceeds 30% of the latest audited total assets of the Company;
- (v) the share incentive schemes;
- (vi) other matters which the laws, regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association require to be adopted by special resolutions and which the general meeting, by an ordinary resolution, considers to have a material impact on the Company and therefore require to be adopted by a special resolution.

Shareholders (including shareholders' proxies), may exercise voting rights in the amount of the voting shares they represent and each share shall have one vote.

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When a connected transaction is considered at a general meeting, the connected shareholders shall abstain from voting, and the number of voting shares represented by them shall not be counted in the total number of valid votes.

Where any shareholder is, under the laws and regulations and the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### **DIRECTORS AND THE BOARD OF DIRECTORS**

#### **Directors**

Directors shall be elected or replaced at the general meeting for a term of three (3) years, and may be re-elected upon the expiration of the term.

The general manager or other Senior Management Members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as general manager or other Senior Management Members and Directors who are employee representatives shall not exceed half (1/2) of the total number of Directors of the Company.

#### **Board of Directors**

The Directors of the Company are divided into executive Directors, non-executive Directors and independent non-executive Directors. The number of independent non-executive Directors shall represent at least one-third (1/3) of the members of the Board of Directors.

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## APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION

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The Company shall have a Board of Directors, which shall consist of nine (9) Directors and shall have one (1) chairman of the Board.

The Board of Directors shall be accountable to the general meeting and exercises the following functions and powers:

- (i) to convene general meetings and report on its work to the general meetings;
- (ii) to implement the resolutions of the general meeting;
- (iii) to determine the business operation plans and investment plans of the Company;
- (iv) to formulate the annual financial budgetary plans and final accounting plans of the Company;
- (v) to formulate the profit distribution plans and loss recovery plans of the Company;
- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;
- (vii) to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution, liquidation or change of corporate form of the Company;
- (viii) to decide on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions and external donations of the Company within the scope of authorization of the general meeting or in accordance with the listing rules of the place where the Company's shares are listed;
- (ix) to determinate the setup of the Company's internal management organizations;
- (x) to decide on the appointment or dismissal of the Company's general manager, secretary to the board of directors and other senior management members, and to decide on matters over the remunerations and rewards and punishments thereof; and to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards and punishments according to the nomination of the general manager;
- (xi) to formulate the basic management system of the Company;
- (xii) to formulate the amendment to the Articles of Association;
- (xiii) to formulate plans for the Company's profit distribution plans;
- (xiv) to manage the information disclosure of the Company;
- (xv) to request the general meeting to engage or replace the accounting firm that provides audits for the Company;

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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (xvi) to listen to the work report of the manager of the Company and inspect the work of the manager;
- (xvii) other functions and powers conferred by laws and regulations, the listing rules of the place where the Company's shares are listed, the Articles of Association or the general meetings.

The chairman of the Board shall exercise the following functions and powers:

- (i) to preside over general meetings and to convene and preside over meetings of the Board of Directors;
- (ii) to supervise and inspect the implementation of the resolutions of the Board of Directors;
- (iii) to sign important documents of the Board of Directors and other documents which shall be signed by the legal representative of the Company;
- (iv) in the event of force majeure emergency such as the occurrence of a major natural disaster, to exercise special disposal authority over the affairs of the Company in accordance with the provisions of the law and the interests of the Company, and to report to the Board of Directors and the general meeting of shareholders of the Company afterwards;
- (v) other functions and powers conferred by the Board of Directors.

The notice of a regular Board meeting shall be sent to all Directors at least fourteen (14) days before the date of the meeting.

Shareholders representing more than one tenth of all voting rights, more than one thirds of all directors or the board of supervisors may propose the holding of an interim meeting of the board of directors. The chairman of the board of directors shall, within 10 days of receipt of such proposal, convene and preside over the meeting of the Board of Directors.

Voting at Board meetings is conducted by open ballot, with each Director having one vote. Resolutions of the Board of Directors shall be passed by more than half of all Directors. Where laws, regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association require the consent of more Directors to form a resolution, such provisions shall prevail.

### **GENERAL MANAGER**

The Company shall have one (1) general manager, who shall be appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers who shall be appointed or dismissed by the Board of Directors upon nomination by the general manager.



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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The general manager shall be directly accountable to the Board of Directors and exercise the following functions and powers:

- (i) to be in charge of the production, operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report on his/her work to the Board of Directors;
- (ii) to organize and implement the Company's annual business plan and investment plan;
- (iii) to formulate the plan for establishment of the Company's internal management organization;
- (iv) to formulate the Company's basic management system;
- (v) to formulate the detailed rules and regulations of the Company;
- (vi) to request the Board of Directors to engage or dismiss deputy general manager and chief financial officer of the Company;
- (vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (viii) to review matters (other than receipt of a donation in the form of cash assets by the Company) that do not meet the requirements set forth in the Articles of Association for consideration by the shareholders' general meeting and the Board of Directors;
- (ix) to review the matters of purchase and/or sale by the Company within one year of significant assets not exceeding 10% of the latest audited total assets of the Company;
- (x) other functions and powers conferred by the Articles of Association and the Board of Directors.

### **SECRETARY TO THE BOARD**

The Company shall have one (1) board secretary. The Board secretary shall be a Senior Management Member of the Company.

The Company shall have a secretary to the board of directors, whose responsibilities include preparing general meetings and board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

The secretary to the board of directors shall comply with relevant provisions of the laws, administrative regulations, departmental rules, and these Articles of Association.

### **BORROWING POWER**

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board of Directors shall be entitled to formulate proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the shareholders' general meeting.

## APPENDIX IV

## SUMMARY OF THE ARTICLES OF ASSOCIATION

### SUPERVISORY COMMITTEE

The Company shall establish a board of supervisors. The board of supervisors shall consist of three supervisors.

The board of supervisors shall appoint a chairperson, who shall be elected by more than half of the supervisors. The meetings of the board of supervisors shall be convened and presided over by the chairperson of the board of supervisors. If the chairperson of the board of supervisors is unable or fails to perform his/her duties, such meeting shall be convened and presided over by a supervisor elected by half or more of the supervisors.

The board of supervisors consists of shareholder representatives and an appropriate proportion of employee representatives of the Company, which proportion shall not be lower than 1/3. The employee representatives of the board of supervisors shall be elected by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.

The directors of the Company, general managers and other senior management shall not serve concurrently as supervisors.

The resolutions of Supervisory Committee shall be passed by the votes of more than two-thirds (2/3) of the members of the Supervisory Committee.

The Board of Supervisors shall exercise the following functions and powers in accordance with the law:

- (i) To review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;
- (ii) To check the finance of the Company;
- (iii) To supervise the Directors and Senior Management Members in the performance of their duties and to propose the dismissal of aforementioned people who violate laws, regulations, the Articles of Association or resolutions of the general meeting;
- (iv) To require the Director or other Senior Management Members to correct his/her act that is detrimental to the Company's interests;
- (v) To propose the holding of extraordinary general meetings and, in the event that the Board of Directors fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the PRC Company Law and the Articles of Association;
- (vi) To submit proposals to the general meeting;
- (vii) To file legal proceedings against directors and senior management under the PRC Company Law;
- (viii) To investigate any irregularities in the operation of the Company; If necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;
- (ix) To attend the meeting of the Board of Directors without voting rights;
- (x) other functions and powers imposed by the laws, regulations and the Articles of Association.

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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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### **FINANCIAL AND ACCOUNTING SYSTEM**

The Company shall formulate its own financial and accounting systems in accordance with the laws, administrative regulations and the requirements of relevant state departments.

The Company shall publish its annual report within four months from the ending date of each financial year, and its interim report within two months from the ending date of the first half of each financial year. The above-mentioned annual and interim reports shall be prepared in accordance with the relevant laws, administrative regulations and the provisions of the CSRC and the stock exchange(s).

### **PROFIT DISTRIBUTION**

Profit distribution policy of the Company:

- (i) The Company shall implement a continuous and stable profit distribution policy. The profit distribution of the Company attaches importance to the reporting of investment and reasonable investment. The cash dividend policy target is steady growth of dividend.
- (ii) The Company may implement interim cash dividends.
- (iii) Form of profit distribution: the Company may distribute profits in the form of cash, shares or a combination of cash and shares. If the conditions for cash dividends are satisfied, priority shall be given to cash dividends for profit distribution.
- (iv) The Company is not required to distribute profits if:
  - 1. the audit report on it for the most recent year is either a non-unqualified opinion or an unqualified opinion with a significant uncertainty paragraph relating to going concern;
  - 2. the asset-liability ratio at the end of the most recent fiscal year is higher than 70%;
  - 3. the operating cash flow is negative in the most recent fiscal year;
  - 4. any other circumstances that the Company deems inappropriate for distribution occurs.
- (v) Specific conditions for distribution of share dividends: The Company mainly adopts the profit distribution policy of cash dividends. If the Company's revenue increases rapidly, and the Board of Directors considers that the Company's share price does not match the size of the Company's share capital and the distribution of share dividends is beneficial to the interests of all shareholders of the Company as a whole, the Company may propose and implement a share dividend distribution plan under the above conditions for distribution of cash dividends.

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## **APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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### **DISSOLUTION AND LIQUIDATION OF THE COMPANY**

- (i) The Company may be dissolved for any of the following reasons: the term of business operation prescribed in the Articles of Association expires or any other circumstance for dissolution prescribed in the Articles of Association occurs;
- (ii) the general meeting resolves to dissolve the Company;
- (iii) dissolution is required due to merger or division of the Company;
- (iv) the Company is revoked of its business license, ordered to close down or annulled according to law due to violation of laws and regulations;
- (v) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of its shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent (10%) of the whole voting rights can make a petition to the People's Court to dissolve the Company.

Where any of the circumstances prescribed in items (i) occurs, the Company may continue to exist after the amendment to the Articles of Association.

If the Company is dissolved under items (i), (ii), (iv), and (v), a liquidation committee shall be set up, which shall start liquidation within fifteen (15) days from the date of occurrence of the cause for dissolution. The members of such liquidation committee shall be determined by the Directors or the general meeting.

If the liquidation committee is not established within the prescribed period, creditors can submit an application to the people's court to appoint relevant officers to establish such committee to carry out the liquidation.

The liquidation committee shall notify its creditors within a period of ten (10) days since the date it is established, and make announcements in newspapers within sixty (60) days. Creditors shall, within thirty (30) days since the date of receiving the notice, or for creditors who do not receive the notice, within forty five (45) days since the date of the public announcement, report their creditors' rights to the liquidation committee.

If the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and schedule of assets, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled for the Company to declare itself bankrupt, the Company's liquidation committee shall refer the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit the same to the general meeting or the people's court for confirmation, and submit the aforementioned documents to the company registration authority to apply for company deregistration, and announce the Company's termination.

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**APPENDIX IV                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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**AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company shall amend the Articles of Association under any of the following circumstances:

- (i) after the PRC Company Law or relevant laws and regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended ones;
- (ii) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association;
- (iii) the general meeting decides to amend the Articles of Association.

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### FURTHER INFORMATION ABOUT OUR COMPANY

#### Incorporation

Our Company was established as a limited liability company in the PRC on September 13, 2010 and was converted into a joint stock limited company on May 25, 2015 under the laws of the PRC. [Immediately before completion of the [REDACTED]], the registered share capital of our Company was RMB385,311,216.

Our principal place of business in Hong Kong is at 5th Floor, Manulife Plaza, 348 Kwun Tong Road, Hong Kong. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on February 7, 2024. Mr. Li KinWai has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in “Appendix IV — Summary of the Articles of Association”.

#### Changes in Share Capital

On September 13, 2010, our Company was incorporated with a registered capital of RMB100,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Document:

On November 27, 2023, the share capital of our Company reduced from RMB390,054,000 to RMB386,865,216.

On March 20, 2024, the share capital of our Company reduced from RMB386,865,216 to RMB385,311,216.

For more details, see “History, Development and Corporate Structure — Corporate Development of Our Company”. Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Document.

#### Resolutions of our Shareholders

Pursuant to a general meeting held on March 19, 2024, among other things, our Shareholders resolved that:

- (a) [the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being [REDACTED] on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued shall not be more than [REDACTED] of the total issued share capital of our Company as enlarged by the [REDACTED], and the grant to the [REDACTED] (or their representatives) of the [REDACTED] of not more than [REDACTED] of the number of H Shares issued pursuant to the [REDACTED];

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

- (c) subject to the completion of the [REDACTED], the adoption of the Articles of Association which shall become effective on the [REDACTED], and authorization to the Board to amend the Articles of Association for the purpose of the Company's [REDACTED]; and
- (d) authorization of the Board to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.]

### Changes in Share Capital of our Subsidiary

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document:

On October 10, 2022, the registered capital of Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技創新有限公司) increased from RMB4,000,000 to RMB10,000,000.

On October 24, 2023, the registered capital of Shenzhen Allsight E-business Co., Ltd. (深圳市傲視電子商務有限公司) increased from RMB100,000 to RMB10,000,000.

On February 18, 2024, the registered capital of Shenzhen Runhe Trading Co., Ltd. (深圳市閩禾貿易有限公司) increased from RMB10,000 to RMB100,000.

On March 21, 2024, the registered capital of Shenzhen Ruanshiju Trade Co., Ltd. (深圳市軟石居貿易有限公司) increased from RMB10,000 to RMB100,000.

### FURTHER INFORMATION ABOUT OUR BUSINESS

#### Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that are or may be material:

1. the share repurchase agreement dated March 19, 2024 entered into among the Company, Mr. Lu, Mr. Ze and SilkRoad Industrial Investment, pursuant to which the Company agreed to repurchase 1,554,000 Shares of the Company from SilkRoad Industrial Investment at the consideration of RMB47,136,438.36; and
2. [REDACTED].

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**STATUTORY AND GENERAL INFORMATION**

**Intellectual Property Rights**



**Trademarks**

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expire Date
1.	AMEGAT	U.S.	Shenzhen Autral Technology Innovation Co., Ltd. (深圳傲創科技創新有限公司)	9/10/11	7215079/ 7301055/ 7214972	November 7, 2023/February 6, 2024/November 7, 2023	November 6, 2033/February 5, 2034/November 6, 2033
2.	AUKEY	U.S.	The Company	9/11	5401419	February 13, 2018	February 12, 2028
3.	Fantik	U.S.	METASEE LLC (元見有限責任公司)	7/9/12	6324128/ 6548525/ 6548526	April 13, 2021/November 2, 2021/November 2, 2021	April 12, 2031/November 1, 2031/November 1, 2031
4.	Upstreman	U.S.	Shenzhen Lanbiaoyi Technology Co., Ltd. (深圳市藍標一科技有限公司)	11	6522088	October 12, 2021	October 11, 2031
5.	Bezia	U.S.	Shenzhen Qibei Technology Co., Ltd. (深圳市企北科技有限公司)	11	6881424	October 18, 2022	October 17, 2032
6.	HOSTACK	U.S.	Shenzhen Yiya Technology Co., Ltd. (深圳市宜雅科技有限公司)	20	7001762	March 14, 2023	March 13, 2033
7.	facbotall	U.S.	Shenzhen Fuxiangyi Technology Co., Ltd. (深圳市富相宜科技有限公司)	20	7295656	January 30, 2024	January 29, 2034
8.	Aiheal	U.S.	WOWME LLC	7/11	7088027	June 20, 2023	June 19, 2033
9.	HOUSNAT	U.S.	The Company	7/11	6896857	November 8, 2022	November 7, 2032
10.	LIFERUN	U.S.	Dorigod Trading Limited (拂盈音貿易有限公司)	28	7081939	June 13, 2023	June 12, 2033
11.	TLGREEN	U.S.	Shenzhen Zhiyunqian Technology Co., Ltd. (深圳市幟云騫科技有限公司)	8	7027339	April 11, 2023	April 10, 2033
12.	Cowiewie	U.S.	Shenzhen Mihai Trading Co., Ltd. (深圳市覓海貿易有限公司)	20/28	7101615	July 4, 2023	July 3, 2033
13.	RichYa	U.S.	Shenzhen Shanchen e-commerce Co., Ltd. (深圳市杉辰電子商務有限公司)	22	7056523	May 16, 2023	May 15, 2033



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No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expire Date
14.	Careboda	U.S.	Shenzhen Damaijia Tech. Co., Ltd. (深圳達脈嘉科技有限公司)	10	6965665	January 24, 2023	January 23, 2033
15.	Curecure	U.S.	Shenzhen Yiyoyui Tech. Co. Ltd. (深圳市毅優易科技有限公司)	11	7063286	May 23, 2023	May 22, 2033
16.		U.S.	The Company	20	5888775	October 22, 2019	October 21, 2029
17.	LIKIMIO	U.S.	The Company	20	5580982	October 9, 2018	October 8, 2028
18.	Allewie	U.S.	Tianjin Heman Technology Co., Ltd. (天津赫曼科技有限公司)	20	6232422	December 29, 2020	December 28, 2030
19.		U.S.	Shenzhen Xinhe Trading Co., Ltd (深圳市信盒貿易有限公司)	20	6227739	December 22, 2020	December 21, 2030

***Copyrights registered***

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Registered Owner	Registration Number	Registration Date	Place of Registration
1.	Natural Wooden Grain	Artwork	The Company	VA 2-223-331	September 11, 2020	U.S.

***Software Copyrights registered***

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1.	Aulink logistics management system V1.0 (傲基物流管理系統V1.0)	The Company	2017SR082863	November 20, 2016
2.	Overseas allocation management system V1.0 (海外調撥管理系統 V1.0)	The Company	2018SR264527	December 20, 2017

## APPENDIX V STATUTORY AND GENERAL INFORMATION

### Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be or may be material to our business:

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Patent Grant date
1.	Air purifier (BS-13)	Exterior design	The Company	CN306797016S	PRC	August 31, 2021
2.	Air purifier	Exterior design	The Company	USD950034S	United States	April 26, 2022
3.	Air purifier (BS-11)	Exterior design	The Company	CN306664690S	PRC	July 6, 2021
4.	Air purifier	Exterior design	The Company	USD950033S	United States	April 26, 2022
5.	Air purifier (BS-04)	Exterior design	The Company	CN306598521S	PRC	June 8, 2021
6.	Air purifier	Exterior design	The Company	USD946732S	United States	March 22, 2022
7.	Air purifier (BS-01)	Exterior design	The Company	CN306598487S	PRC	June 8, 2021
8.	PORTABLE TIRE INFLATOR	Exterior design	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技创新有限公司)	USD1012977S	United States	January 30, 2024
9.	Inflator	Exterior design	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技创新有限公司)	CN307638780S	PRC	November 4, 2022
10.	Vacuum cleaner	Exterior design	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技创新有限公司)	USD1002132S	United States	October 17, 2023
11.	FOLDABLE SOLAR PANEL	Exterior design	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技创新有限公司)	USD999156S	United States	September 19, 2023
12.	POWER SUPPLY	Exterior design	Shenzhen Fanttik Technology Innovation Co., Ltd. (深圳范泰克科技创新有限公司)	USD999167S	United States	September 19, 2023

### Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date
1	au-key.com	Our Company	October 23, 2013
2	xenkee.com	Our Company	August 20, 2018
3	aukeyit.com	Our Company	August 9, 2016
4	aukeys.com	Our Company	March 9, 2011
5	aukeyis.com	Our Company	March 4, 2020

**APPENDIX V STATUTORY AND GENERAL INFORMATION**

**FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS**

**1. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company**

Immediately following the completion of the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares, assuming that the [REDACTED] Option is not exercised, the interest and short position of each of our Directors, Supervisors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

*Interests in our Company*

<u>Name</u>	<u>Position</u>	<u>Nature of Interest</u>	<u>Number and class of Shares<sup>(1)</sup></u>	<u>Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the [REDACTED]</u> (%)	<u>Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the [REDACTED]</u> (%)
Mr. Lu <sup>2</sup>	Founder, chairperson of the Board, executive Director and chief executive officer	Interest held jointly with other persons	[REDACTED] H Shares	[REDACTED]	[REDACTED]
		Interest held jointly with other persons	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
Mr. Ze <sup>2</sup>	Co-founder, vice chairperson of the Board, executive Director and chief financial officer	Interest held jointly with other persons	[REDACTED] H Shares	[REDACTED]	[REDACTED]
		Interest held jointly with other persons	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]

APPENDIX V

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Name	Position	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the [REDACTED]
				(%)	(%)
Ms. Zhuang Liyang	Executive Director, secretary of the Board, deputy general manager and joint company secretary	Beneficial owner	[REDACTED] H Shares	[REDACTED]	[REDACTED]
		Beneficial owner	[REDACTED] Domestic Shares	[REDACTED]	[REDACTED]
		Interest in a controlled corporation	[REDACTED] H Shares	[REDACTED]	[REDACTED]
		Interest in a controlled corporation	[REDACTED] Domestic Shares	[REDACTED]	[REDACTED]
Mr. Lu Songdu	Non-executive Director	Beneficial owner	[REDACTED] H Shares	[REDACTED]	[REDACTED]
		Beneficial owner	[REDACTED] Domestic Shares	[REDACTED]	[REDACTED]
Ms. Zhang Li	Supervisor and vice president	Beneficial owner	[REDACTED] H Shares	[REDACTED]	[REDACTED]

Notes:

- (1) All interests stated are long position.
- (2) On March 6, 2015, Mr. Lu and Mr. Ze entered into a concert party agreement, which was later renewed on March 1, 2019, pursuant to which Mr. Lu and Mr. Ze have agreed to, and shall procure those corporations under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company by aligning their votes at the general meetings of our Company.

**APPENDIX V**

**STATUTORY AND GENERAL INFORMATION**

**2. Disclosure of Interests of Substantial Shareholders**

**(a) Interest in the Shares of Our Company**

For information on the persons who will, immediately following the completion of the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders".

**(b) Interests of the Substantial Shareholders of Other Members of Our Group**

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group:

	<b>Name of Members of our Group</b>	<b>Name of Shareholder</b>	<b>Percentage of Shareholding</b>
1.	Shenzhen Fantik	Du Bo (杜波)	30.00%
2.	WESTERN POST (SG) PTE. LTD	Shenzhen Leyou Technology Co., Ltd. (深圳市樂郵科技有限公司)	18.00%
		Shenzhen Ruisi Enterprise Management Partnership (Limited Partnership) (深圳市睿思企業管理合夥企業(有限合夥))	18.00%
		Shenzhen Xiyou Zhicang Management & Consulting Partnership (Limited Partnership) (深圳市西郵智倉管理諮詢合夥企業(有限合夥))	16.00%
3.	Xiamen Blue Whale Wave Enterprise Management Partnership (Limited Partnership) 廈門藍鯨破浪企業管理合夥企業(有限合夥)	Li Guangyu (黎光宇)	11.91%
4.	Andey International Limited	Shenzhen Chenyu Zhizao Partnership (Limited Partnership) 深圳辰宇智造合夥企業(有限合夥)	29.00%
		Hongkong ilex-rotunda Technology Co., Limited (香港鐵冬青科技有限公司)	20.00%
5.	Shenzhen Aosen Automotive Technology Co., Ltd. (深圳市傲森汽車科技有限公司)	Shen Mingyu (沈名宇)	49.00%
6.	Shenzhen Aoxi Technology Co., Ltd. (深圳市傲憩科技有限公司)	Yotrio Group Co., Ltd. (浙江永強集團股份有限公司)	25.00%

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the [REDACTED], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

### 3. Service Contracts

Each of our Directors has entered into service contracts with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

### 4. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix I — Accountants' Report — Notes to The Historical Financial Information — Directors', Chief Executives' and Supervisors' emoluments" for the financial years ended 31 December 2021, 2022 and 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

### 5. Disclaimers

Saved as disclosed in this Document:

- (a) none of our Directors, Supervisors or any of the parties listed in "Qualification of Experts" of this Appendix is:
  - (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
  - (ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business;
- (b) save in connection with the [REDACTED] and the [REDACTED], none of the parties listed in "Qualification of Experts" of this Appendix:
  - (i) is interested legally or beneficially in any shares in any member of our Group;  
or

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

- (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [REDACTED] on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

### OTHER INFORMATION

#### Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

#### Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

#### Sole Sponsor

The Sole Sponsor has made an [REDACTED] on our behalf to the [REDACTED] for the [REDACTED] of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsors will receive a fee of US\$500,000 for acting as a sponsor for the [REDACTED].

#### Preliminary Expenses

Our Company did not incur any material preliminary expenses.

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

### Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Document are as follows:

<u>Name</u>	<u>Qualification</u>
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants and registered public interest entity auditors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
King & Wood Mallesons	PRC legal advisor to our Company
Nixon Peabody LLP	U.S. legal advisors to our Company
Luther Rechtsanwaltsgesellschaft mbH	German legal advisor to our Company
FIDAL	French legal advisor to our Company
Pirola Pennuto Zei & Associati	Italian legal advisor to our Company
Cruickshanks	U.K. legal advisor to our Company

### Consents of Experts

Each of the experts referred to in “Qualification of Experts” in this Appendix has given and has not withdrawn its respective written consents to the issue of this Document with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

### Compliance Advisor

We have appointed Red Solar Capital Limited as our Compliance Advisor upon the [REDACTED] in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

### Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.



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## STATUTORY AND GENERAL INFORMATION

### No Material Adverse Change

Our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial position or Prospects since December 31, 2023.

### Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### Miscellaneous

Save as disclosed in this Document:

- (a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such [REDACTED] or permission to [REDACTED] on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;
- (j) our Company has no outstanding convertible debt securities or debentures;
- (k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

- (1) our Company has adopted a code of conduct regarding Directors’ and Supervisors’ securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules.

### Restrictions on Share Repurchases

For details, see the sections headed “Appendix IV — Summary of the Articles of Association” in this Document.

### Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### Promoters

The promoters of our Company comprised all of the 13 then shareholders of our Company as of May 25, 2015 before our conversion into a joint stock limited liability company.

No.	Name
1.	Mr. Lu Haizhuan
2.	Mr. Ze Kuaiyue
3.	Mr. Lu Songdu
4.	Shenzhen Capital Group
5.	Shenzhen Changguo
6.	Shenzhen Redland
7.	Suzhou Times Bole Venture Capital Partnership (L.P.) (蘇州時代伯樂創業投資合夥企業(有限合夥))
8.	Suzhou Times Bole Equity Investment Partnership (L.P.) (蘇州時代伯樂股權投資合夥企業(有限合夥))
9.	Nantong Times Bole Phase I Equity Investment Partnership (L.P.) (南通時代伯樂一期股權投資合夥企業(有限合夥))
10.	Huizhou Times Bole Medical Consumption Industry M&A Investment Partnership (L.P.) (惠州時代伯樂醫藥消費產業併購投資合夥企業(有限合夥))
11.	Suzhou Fuhua Times Bole Equity Investment Partnership (L.P.) (蘇州福華時代伯樂股權投資合夥企業(有限合夥))
12.	Huizhou Times Bole Capital Protected Equity Investment Partnership (L.P.) (惠州時代伯樂護本股權投資合夥企業(有限合夥))
13.	Shenzhen Times Bole Capital Protected Equity Investment Partnership (L.P.) (深圳時代伯樂護本股權投資合夥企業(有限合夥))

Save as disclosed in this Document, within the two years immediately preceding the date of this Document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [REDACTED] or the related transactions described in this Document.

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## APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in "Appendix V — Statutory and General Information — Other Information — Consents of Experts;" and
- (b) a copy of each of the material contracts referred to in "Appendix V — Statutory and General Information — Further Information about our Business — Summary of Material Contracts."

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.aukeys.com/> during a period of 14 days from the date of this Document:

- 1. the Articles of Association;
- 2. the Accountants' Report prepared by Deloitte, the text of which is set forth in Appendix I to this Document;
- 3. the audited consolidated financial statements of our Company for the financial years ended 31 December 2021, 2022 and 2023;
- 4. the report from Deloitte on the unaudited [REDACTED] financial information of our Group, the text of which is set forth in Appendix II to this Document;
- 5. the material contracts in "Appendix V — Statutory and General Information — Further Information about our Business — Summary of Material Contracts;"
- 6. the written consents referred to in "Appendix V — Statutory and General Information — Other Information — Consents of Experts;"
- 7. the service contracts referred to in "Appendix V — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 3. Service Contracts;"
- 8. the legal opinions issued by King & Wood Mallesons, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;
- 9. the legal opinions dated the date of this document issued by Nixon Peabody LLP, our legal advisor as to U.S. laws;
- 10. the legal opinions dated the date of this document issued by Luther Rechtsanwaltsgesellschaft mbH, our legal advisor as to German laws;
- 11. the legal opinions dated the date of this document issued by FIDAL, our legal advisor as to French laws;

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**APPENDIX VI**

**DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND AVAILABLE ON DISPLAY**

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12. the legal opinions dated the date of this document issued by Pirola Pennuto Zei & Associati, our legal advisor as to Italian laws;
13. the legal opinions dated the date of this document issued by Cruickshanks, our legal advisor as to U.K. laws;
14. the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this Document; and
15. a copy of the PRC Company laws, together with unofficial English translations.